

# MODEL BUSINESS

Large  
Opportunity



Strong  
Fundamentals



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We have been successful over the years because of our ability to anticipate market needs and business trends and responded with the right combination of products and partnerships. We believe that to be successful, we must consistently perform and deliver results responsibly.

We are well positioned to deliver profitable growth – and continue our vision of improving lives across the rural and semi-urban landscape of India.



A consistent focus on our customers leads us to create tailor-made solutions and match their aspirations



Empowering Rural India by providing affordable finance for a variety of needs



Cultivating long-term relationships across the ecosystem, from OEMs to Financial Institutions



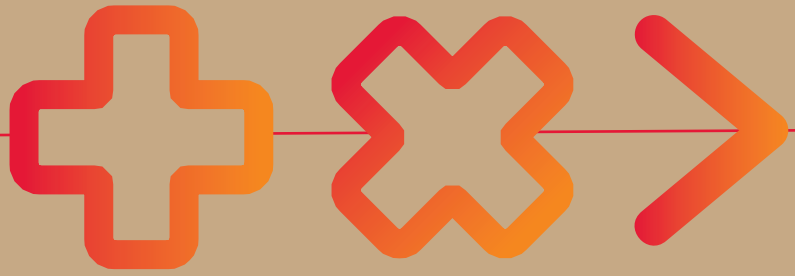
Leveraging reach and technology to ensure efficient service delivery and deeper market presence



Growing our people strength and enhancing the competencies of our team in line with our vision and growth agenda

A business model is more than a mere representation of operations. It is the culmination of an idea and the blueprint of how that idea is put into motion. If successful, a business model represents the outcome of hope, courage, entrepreneurship and dogged determination. The real challenge for a business model comes when it is tested against adversity. When an organisation and its approach sustain through the challenges of volatile and uncertain business cycles, and still deliver for their stakeholders, they can be safely called a Model Business!





Over two decades ago, long before the word 'business model' came to be commonplace, Mahindra Finance embarked on a journey to empower rural lives through making affordable credit available. It was an audacious exercise then, and on many counts, remains one till date. However, the distance covered in these years is significant. Today, we are present in over 2.8 lacs villages across the length and breadth of India. We have over four million customers whom we have helped with financial freedom and credit to pursue their dreams.

Like any business, ours is not devoid of risks and challenges. Two years of insufficient monsoons and a gradually recovering economy means that sentiments will take time to improve. It also means that credit offtake will be muted and the recovery will be gradual. For a company like Mahindra Finance, this is the time to reinforce our faith and confidence in the opportunities

that Rural India offers, as it is to remain committed to our business model. It is also time to ensure that customers and their interests remain at the heart of what we do. 2015-16 was a year that tested our business. And our resolve.

However, we continued growing and resourcing our business. We nurtured relationships with stakeholders

across the board. We continued to enrich our offerings to ensure that we are aligned to the specific needs of our customers, and have their interest in mind. We continued to invest in talent and growing our presence. And reaching farther and deeper into Rural India, where we believe the largest opportunity lies.

**WE ARE A  
BUSINESS  
DRIVEN BY A  
LARGE  
OPPORTUNITY.  
AND ROBUST  
FUNDAMENTALS.  
SOME MAY CALL  
IT A MODEL  
BUSINESS.**

# Transforming Rural Lives





**Rs. 26,706  
crores**

Estimated Value of assets  
financed in 2015-16

**Rs. 40,933  
crores**

Total Assets under  
Management (AUM) as on  
March 31, 2016

At Mahindra & Mahindra Financial Services Limited (MMFSL), our overarching objective has always been to help transform semi-urban and rural India by making affordable credit available to those in need. We began our journey with a strong set of values, a distinguished lineage and a group of dynamic and highly motivated individuals. Over the last two decades, we have partnered many aspirations in the remote corners of India and empowered people from grassroots. Our socially inclusive business model facilitates loans to customers not on the basis of their current financial status, but their future earning capacity. Today, as one of India's leading non-banking finance companies, we are proud to have touched over 4 million lives.

Mahindra Finance is a subsidiary of the Indian conglomerate Mahindra & Mahindra (M&M). We are a leading Non-Banking Financial Company (NBFC) which serves the financing needs of a huge population residing in rural and semi-urban areas of India. We provide a wide range of retail products and services, such as financing vehicles for commercial and personal use, tractors, SME loans, and many other financial products.

Through Mahindra Rural Housing Finance Limited (MHRFL) – our housing finance subsidiary, we are playing our role in helping many low and middle income households build their own home. We also provide Mutual Fund Distribution, Fixed Deposit Schemes and Personal Loans. Our subsidiary, Mahindra Insurance Brokers Limited, is in the business of distributing life and non-life insurance products through tie-ups with various leading insurance companies.

'Mahindra Mutual Fund' has recently received license to operate Mutual Fund Schemes.

### Vision

To be a leading financial services provider in semi-urban and rural India.

### Mission

To transform rural lives and drive positive change in the communities.

### Core Values

- ◆ Professionalism
- ◆ Good Corporate Citizenship
- ◆ Customer First
- ◆ Quality Focus
- ◆ Dignity of the Individual

### Core Purpose

We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to Rise.

### Brand Pillars

- ◆ Accepting No Limits
- ◆ Alternative Thinking
- ◆ Driving Positive Change

# Financial Performance

## FINANCIAL HIGHLIGHTS

### Total Income (Rs. in Lacs)

15-16	<b>5,90,510</b>
14-15	5,58,471
13-14	4,95,300
12-13	3,89,470
11-12	2,79,459

### Reserves & Surplus (Rs. in Lacs)

15-16	<b>5,97,519</b>
14-15	5,55,658
13-14	4,98,151
12-13	4,34,197
11-12	2,84,832

### Total Assets (Rs. in Lacs)

15-16	<b>39,57,948</b>
14-15	35,07,415
13-14	31,66,572
12-13	25,49,242
11-12	18,56,156

### Networth (Rs. in Lacs)

15-16	<b>6,08,811</b>
14-15	5,66,941
13-14	5,09,422
12-13	4,45,458
11-12	2,95,101

## OPERATIONAL HIGHLIGHTS

### Number of Contracts

15-16	<b>41,56,944</b>
14-15	36,34,688
13-14	31,19,034
12-13	25,57,172
11-12	20,24,038

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

15-16	<b>26,70,633</b>
14-15	24,33,110
13-14	25,40,002
12-13	23,83,858
11-12	19,50,433



**Profit Before Tax** (Rs. in Lacs)

15-16	<b>1,03,818</b>
14-15	1,25,364
13-14	1,34,577
12-13	1,27,920
11-12	92,526

**Profit After Tax** (Rs. in Lacs)

15-16	<b>67,260</b>
14-15	83,178
13-14	88,723
12-13	88,269
11-12	62,012

**EPS (Basic)** (Rs.)

15-16	<b>11.92</b>
14-15	14.75
13-14	15.75
12-13	16.59
11-12	12.09

**Dividend** (%)

15-16	<b>200</b>
14-15	200
13-14	190
12-13	180
11-12	140

**Number of Offices**

15-16	<b>1,167</b>
14-15	1,108
13-14	893
12-13	657
11-12	607

**Number of Employees Engaged**

15-16	<b>15,821</b>
14-15	14,197
13-14	12,816
12-13	11,270
11-12	9,715

## Enriched Portfolio

At Mahindra Finance, we are consistently rolling out new products, foraying into new markets and business segments and empowering people as an agent of positive change.



## Vehicle Financing

- ◆ Auto and Utility Vehicles
- ◆ Tractors
- ◆ Cars
- ◆ Commercial Vehicles
- ◆ Construction Equipment

## Pre-Owned Vehicle Financing

- ◆ Cars
- ◆ Multi-utility Vehicles
- ◆ Tractors
- ◆ Commercial Vehicles

## SME Financing

- ◆ Project Finance
- ◆ Equipment Finance
- ◆ Working Capital Finance

## Housing Finance \*

- ◆ New House
- ◆ House renovation and improvements

\* Through our subsidiary Mahindra Rural Housing Finance Limited

## Personal Loan

- ◆ Wedding
- ◆ Children's Education
- ◆ Medical Treatment
- ◆ Working Capital

## Insurance Broking \*

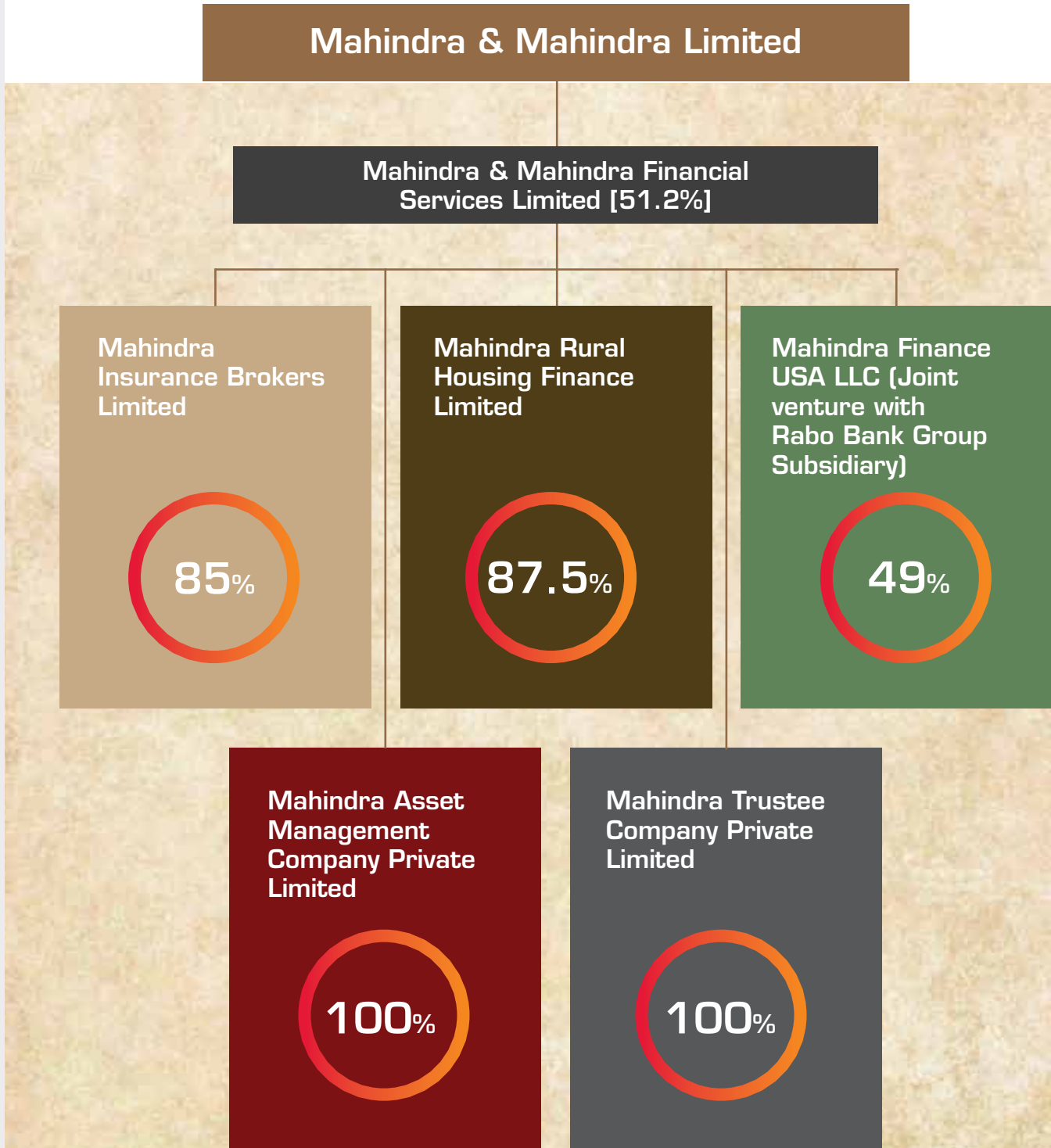
- ◆ Retail Customers
- ◆ Corporates

\* Through our subsidiary Mahindra Insurance Brokers Limited

## Investments and Advisory

- ◆ Investment Products
  - Fixed Deposits
- ◆ Advisory Services
  - Investment planning (under the brand Mahindra Finance Finsmart)

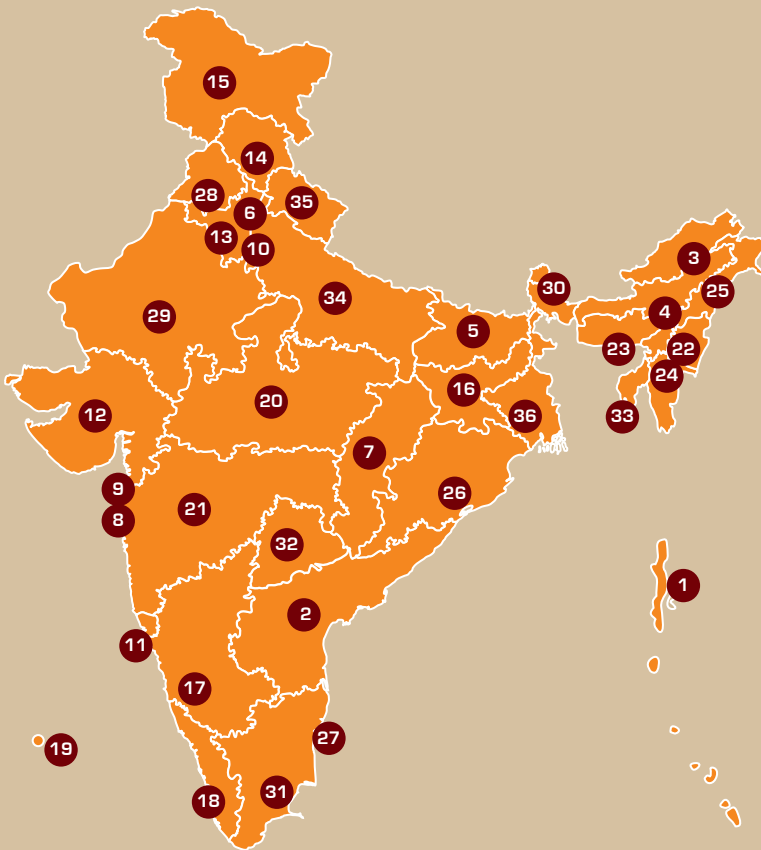
# Group Structure



Note: Figures above represent shareholding percentage

# Geographic Presence

## Presence in villages across India



Note: Numbers in the map above correspond to the name of the respective state in the table.

States	No. of Villages Our Presence
1 Andaman and Nicobar Islands	317
2 Andhra Pradesh	9269
3 Arunachal Pradesh	162
4 Assam	4791
5 Bihar	24215
6 Chandigarh	22
7 Chhattisgarh	10688
8 Dadra and Nagar Haveli	68
9 Daman and Diu	25
10 Delhi	265
11 Goa	18
12 Gujarat	13246
13 Haryana	5460
14 Himachal Pradesh	6615
15 Jammu and Kashmir	1934
16 Jharkhand	8477
17 Karnataka	15636
18 Kerala	1642
19 Lakshadweep	2
20 Madhya Pradesh	29161
21 Maharashtra	22915
22 Manipur	3
23 Meghalaya	1317
24 Mizoram	74
25 Nagaland	2
26 Odisha	13138
27 Puducherry	83
28 Punjab	7289
29 Rajasthan	21519
30 Sikkim	325
31 Tamil Nadu	11694
32 Telangana	8726
33 Tripura	419
34 Uttar Pradesh	44374
35 Uttaranchal	3122
36 West Bengal	18994
<b>GRAND TOTAL</b>	<b>286007</b>

The Indian economy can grow rapidly and sustainably in a world that is facing uncertainty and slow growth only if rural India is given the opportunity to realise its full potential.



**LARGE  
OPPORTUNITY**



We, at Mahindra Finance, are playing the role of a catalyst in the fast economic growth of Rural India. Our model of doing business is socially inclusive to help empower India at the grassroots. From a humble farmer to an aspiring entrepreneur, we help millions of dreams take flight with confidence. And with it, an entire nation.

# RURAL INDIA IS RISING



At Mahindra Finance, our agenda has always been to act as a catalyst for change by catering to the financial requirements of semi-urban and rural India. Our business model is socially inclusive; and we have empowered millions of ambitious individuals in the course of our journey for over two decades.

Today, many players and financial services providers are suddenly realising the potential of Rural India and its attractiveness as a market. Mahindra Finance realised this decades ago, and made it our mission to empower rural lives. Therefore, we enjoy a natural first-mover-advantage, because of our familiarity with this difficult terrain.

The Government of India is now reorienting its interventions in the various farm and non-farm sectors to double the income of farmers by 2022. These steps will naturally boost the demand for financial products and services, and will further strengthen our vision to partner rural communities in their journey towards economic independence and prosperity.

## Big picture

There was a prominent rural push in the Union Budget 2016-17, Rs. 87,765 crores was allocated to the rural sector. These allocations will drive the rural economy and lead to higher job creation among the

farm labourers. The result will be higher disposable income and consumption, with a corresponding effect on the rural economy and its constituent sectors.

## Enhancing rural consumption

The Government's focus on the rural sector will drive demand for all categories of products. Key among them will be personal and commercial vehicles, FMCG products and white goods. The fast-tracking of irrigation projects, increase in farm credit, higher allocation to MNREGA and extension of interest rate subvention to farmers will boost rural income. All of this is also likely to boost the SME sector and lead to a demand for higher credit.

Together with this, social security initiatives, crop insurance, and the increasing affordability of credit are other factors that will aggressively drive economic activity, prosperity and demand in Rural India.

## Rural infrastructure development

The Government has also enhanced focus on rural roads, electrification and irrigation. This is with a view to accelerate the pace of socio-economic development. Allocations for Pradhan Mantri Gram Sadak Yojana have been increased substantially. Enhanced allocation to the railway sector will also help drive better connectivity and commerce, and hence be beneficial to rural incomes.

With forecasts of above normal rainfall in 2016-17 (Source: IMD), crop yields are likely to improve. Besides, Government spending in rural India, coupled with pick up in infra activities are likely to improve non-agri income. Apart from these, a series of measures such as transparent procurement system, accelerated irrigation benefit programme, improved market access and better road connectivity have been definite positives for the rural sector.







### Union Budgetary allocation for rural development expenditure

(Rs. in billions)

Particulars	2016-17	2015-16	y-o-y (%)
MGNREGA	385	347	11
National Livelihood Mission (rural)	15.3	14.6	4.9
Rural Housing (PMAY)	150	100	50
Rural Roads (PMGSY)	175.8	151.9	15.8
Rural Sanitation (Swachh Bharat)	90	60	50
Irrigation (PMKSY)	58.4	53	10.2
<b>Total</b>	<b>874.5</b>	<b>726.5</b>	<b>20.4</b>

All of this means that the rural economy is likely to grow significantly. For Mahindra Finance, our deep reach and understanding will enable us to leverage this opportunity and serve our stakeholders better.



The interests of our customers focus is core to our approach. We are able to leverage our understanding of rural consumers and specifically design products around their needs.

### **New Products**

In 2015-16, we focused on the specific financing needs of the rural and semi-urban SME sector in a big way. As a result, we played the role of a catalyst in the entrepreneurial journey of many by providing finance that is otherwise not available to them from the traditional banking channel.

Our specialised approach means that we focus on industries that are most relevant. Mahindra Finance uses its rural expertise to create solutions that are relevant to customers, and complement our vehicle financing business.

The Asset Management foray, that is currently underway, is also designed to suit rural investment patterns, signifying our commitment to bring innovative products to customers.

### **Vehicle Financing**

Our core offering of vehicle financing continues to enjoy a strong franchise, driven by strong OEM relationships, an understanding of the customer and our service delivery standards.

India's automotive sector, given its potential contribution to GDP and employment, presents a significant opportunity to be one of the biggest growth drivers for the economy. Even though the rural economy was subdued given the two



# EVOLVING ASPIRATIONS. BROADENED OFFERINGS.

At Mahindra Finance, our effort has always been to provide a wide range of financial products and services to our customers through our nationwide distribution network. Our businesses are a logical extension of being a facilitator of rural transformation in more ways than one.

We have evolved our business strategy from time to time to leverage emerging opportunities. We have consistently added new products and services to our portfolio to ensure that the financial needs of our customers are met.

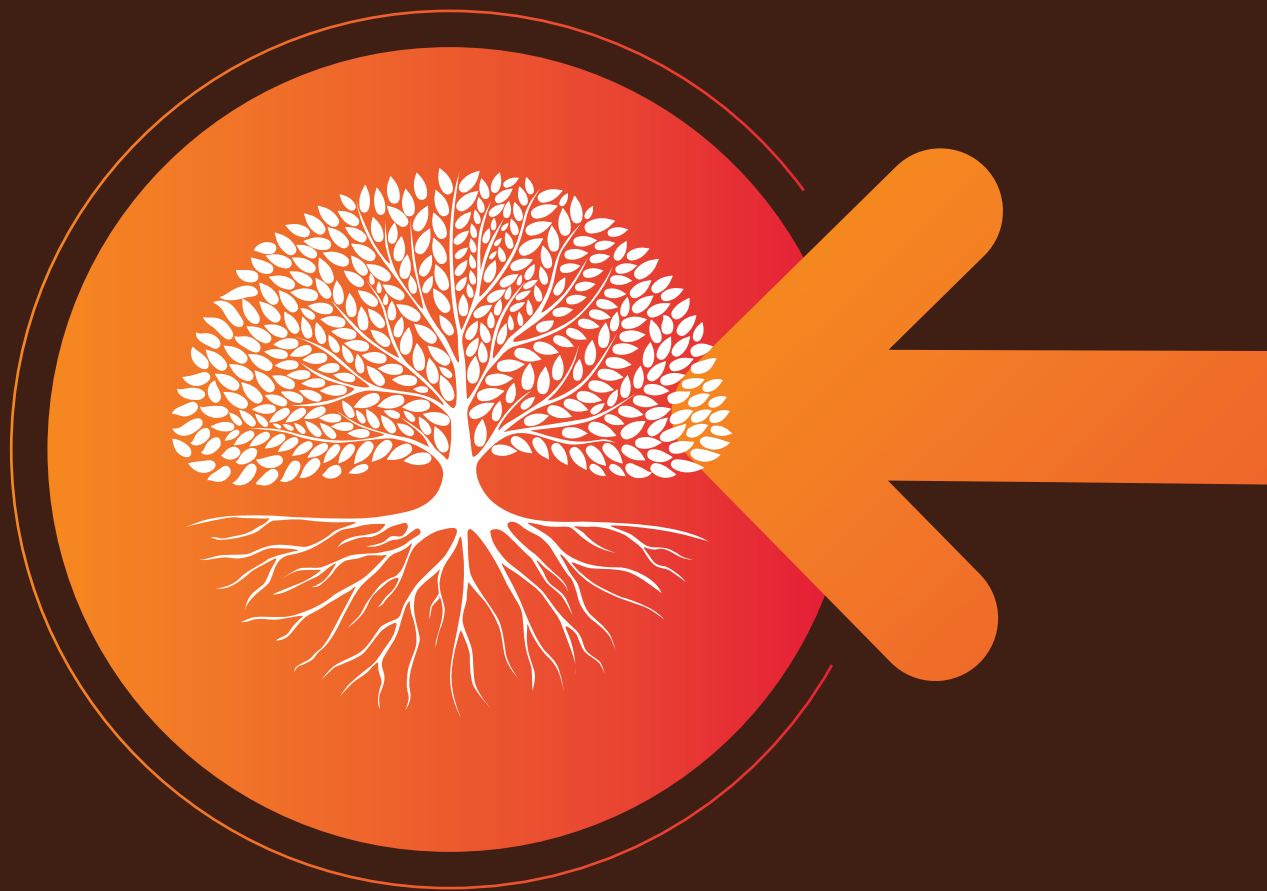
years of insufficient rains, the automotive sector did well in both the Commercial and Passenger Vehicles segments, registering above GDP growth rates. A large part of this demand was attributable to the rural economy, and infrastructure creation.

## **Housing Finance**


India's housing finance industry is expected to be driven by commendable economic performance, high disposable income and the Government's sustained focus on affordable housing. Over the last decade, housing finance in India has emerged as one of the most

secured asset classes with low delinquencies. An easing interest rate environment, rising affordability in Tier 2 and 3 cities are expected to drive future growth. The reclassification of loans under 'affordable housing', bringing smaller housing loans under Priority Sector Lending and increase of Loan to Value ratio to 90% for loans up to Rs.30 lacs are positive steps. The launch of the 'Housing-for-All by 2022' scheme will further create an enabling environment to boost the demand for affordable housing. These factors allow our subsidiary, MRHFL, to chart an attractive growth trajectory.

Going forward, we aim to further improve the diversity of our product portfolio to cater to various financial requirements of our customers. At Mahindra Finance, we have built flexibility in our business model, so we can evolve it in line with the needs of a transforming rural economy.



For decades Mahindra Finance has supported a large number of first-time borrowers with little or no credit history; but a passion to realise their dreams. We have partnered their ambitions passionately and diligently. Today, they are confident participants in India's inclusive growth story.



# FUNDAMENTALLY STRONG

In the process, we have built a robust balance sheet, supported by strong fundamentals, that can withstand the challenges of economic cycles. Our prudent provisioning, excellent credit rating and long-standing relationships with stakeholders is a testimony to the manner in which we have created and protected value, over the years.

# GROWTH IN CHALLENGING TIMES



Our well-balanced, high-quality product portfolio has enabled us to grow sustainably over the years. Our fund mix is also evenly distributed across major financial instruments and institutions. We have built our business on the foundation of strong governance standards and a strict compliance ethos. Our culture of transparency, customer centricity and ethical approach have helped us emerge as one of India's most respected NBFCs. The challenges of the external environment notwithstanding, Mahindra Finance continues to invest in growth, on the strength of our conviction and business fundamentals.

## Strong Financials

We adopt a very cautious approach in our financing practices, without compromising our business objectives. We maintain a high asset quality by adhering to stringent credit evaluation standards, thorough customer profiling and maintain a regular and direct interaction. We ensure that prudent LTV ratios, based on product and customer risk, are adhered to while lending. Mahindra Finance enjoys the highest safety credit rating on its financial instruments, which enables it to raise funds at competitive rates. Together, with this, our diversified borrowing profile enables us to access funds from multiple sources ensuring that our liability side is not skewed.

## Risk-focused business

We have a diverse product portfolio, which reduces the risk of over-exposure to any particular market segment. This is in line with our objective to impact as many lives as we can, by providing relevant solutions. An equal focus on all products, greater efficiency in operations and leveraging cross-selling options continue to be our priorities, going forward. We are also able to price our risk effectively, and that ensures that we are able to maintain our margins.

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**Rs. 5,905 crores**

Total Income in 2015-16

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**Rs. 6,088 crores**

Net Worth as on March 31, 2016



### **Consistent Innovation**

We were first movers in the rural and semi-urban markets in India. Driven by the insight that a large section of the rural population did not have access to credit. This was largely due to their inability to meet the credit requirements of banks. The moneylenders in the unorganised

sector sought to take advantage of this situation by charging exorbitant rates. Mahindra Finance identified this as an opportunity and created a product profile that was well suited to the needs of the rural customers. Over time, our knowledge and insights have helped us evolve, grow and innovate across our

products and service delivery to ensure that customers value us. We have harnessed technology to streamline business processes, ensure deeper market coverage and deliver a better customer experience. This is an important strength of our resilient business model.



The cornerstone of our continued growth over the years has been the ability to have a deep local connect and engagement with our markets and over 4 million customers, without losing sight of national opportunities. We have a strong sales team who visit customers across the length and breadth of India. As a result, we have built a deep brand franchise and nurtured long-standing relationships, developed painstakingly over the years. This is our single biggest competitive advantage, and ensures that we are the partner of choice for new customers as well as evolving requirements of the existing ones.

Our conviction in our business model is demonstrated by our consistent investments in growing our branch network and people strength, despite a challenging environment. We are resourcing for the future, to ensure that our presence aids our ability to leverage opportunities.

### **Strong on-ground presence**

As part of our customer-centric approach, we recruit employees locally to enhance our familiarity with the local geography and demographics. Frequent interactions and deep discussions with customers enhance the

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**14,000+**  
Dealer Relationships

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**5,22,256**  
Total customers  
funded in 2015-16





# THRIVING ON RELATIONSHIPS AND REACH

In the business of financial services, success is derived from the capability to graduate from the role of a mere financier to that of a partner. Our objective is to stand by our customers in their hour of need. Such an approach strengthens the trust quotient of customers and enhances brand respect and recall.

## Wide reach

Our network transcends geographic, linguistic and cultural barriers. We operate an extensive network of 1,167 offices, spanning 26 states and 5 union territories. Our widespread office network provides the following advantages:

- ◆ Reduces dependence on any one region in India; and allows us to follow best practices developed in one region to other regions
- ◆ Mitigates some of the regional, climatic and cyclical risks, such as heavy monsoons or droughts
- ◆ Decentralised approval system within defined controls allows each office to grow its business organically by leveraging customer relationships and presence. This also aids cross-selling of other products

likelihood of repayment, drive repeat business and help position ourselves as a customer-centric brand.

## Dealer and OEM Relationships

We also believe that our close relationships with automotive dealers help us develop and maintain strong customer relationships. Mahindra Finance is also a preferred partner of prominent Indian and global OEMs, which ensures that we are present across multiple product categories.

With an increasing number of new business partners we are transforming ourselves into a financial services company with multi-sector presence, with a consistently growing brand franchise. We ensure higher satisfaction ratings from customers by streamlining our procedures. The approach has widened our customer base, and simultaneously reduced risks. This is why reach is a critical component of our growth engine.

# IN STEP WITH DIGITAL INDIA



At Mahindra Finance, we have always been at the forefront of technology adoption to improve customer experience. We believe technology can be a crucial enabler in our drive for empowerment. It goes hand-in-hand with the expanding physical network that we are putting in place. In line with the growing digital ecosystem of India, we are investing in technology that helps our customers and business.

Speed is crucial to ensure high asset quality and business continuity. Automation at every level is therefore the key to improved efficiency and faster turnaround time. As we continue to expand our geographic reach and enhance the scale of operations, we intend to further develop and integrate our technology to support our growth and improve the quality of our services. This will complement our brick-and-click philosophy, where only a combination of effective physical presence and efficient technology adoption will lead to sustainable business success.

Even in the adoption of technology, we have chosen the most relevant solutions for serving rural customers. At

Mahindra Finance we handle large volumes of physical cash and our customers are located in the remotest of areas. We have equipped our sales force with hand-held, GPRS enabled devices that can provide details of collections and business on a real-time basis.

### **Centralised management system**

A structured prompt warning system and past know-how has helped us to develop a strong MIS system with quick recovery action. Use of innovative technology allows us to provide streamlined approvals to aid disbursements, and reduce the incidence of errors. Besides, our continued focus on the effective use of technology is aimed at allowing employees across

our office network to collect and feed data to a centralised management system. This provides our management team prompt operational data which aids decision making and effective business intelligence.



We believe that technology is a means, not an end to achieving higher customer service delivery levels. To this end, we are investing in relevant technology, and upgrading our digital presence to suit the needs of our customers. We believe technology can be a business enabler to leverage the strength of our consistently expanding physical network.



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**5,473**

No. of new employees  
recruited in 2015-16

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**15,821**

Employees engaged as  
on March 31, 2016

# NURTURING OUR TALENT POOL

Our people are our foot soldiers and brand ambassadors, who drive the business forward by turning challenges into opportunities. They are the ones who bring a smile to millions of people, and give wings to aspirations. We value innovation, ethics, integrity and teamwork, and maintain a company-wide culture that supports and promotes these principles.

We encourage people to explore opportunities and support them to grow. Our processes and systems ensure that people at all levels are acknowledged and given an opportunity to prosper.



## **Sense of Pride and Belonging**

We foster a sense of belonging and take pride in the Company's vision of empowerment. Our team derives satisfaction and a sense of accomplishment from their involvement and participation at Mahindra Finance. There is a sense of camaraderie when dealing with colleagues. Communication channels are open at all levels, including the top management. Hierarchical barriers do not hamper personal and professional growth.

## **Learning & Development**

Consistent learning and development are a part of our people initiatives. The training programmes undertaken from time to time ensure that the team is up-to-date and well versed on latest industry trends. We invest a significant amount of time and resources for training our employees. It fosters mutual trust, improves the quality of our customer service and helps in continued retention.

# Corporate Social Responsibility

Our social responsibility initiatives are aligned to the mission of transforming rural lives, while contributing to the wellbeing of people and the planet. The policy focuses on addressing social, economic and environmental priorities of the nation, especially the marginalised sections.



▶ Blood Donation Camp



▶ Scholarship Distribution, Ranchi



▶ Scholarship Project



▶ Tree Plantation Drive

The CSR initiatives undertaken during the year include:

### Mahindra Finance Scholarship

Scholarships were provided to meritorious graduate and post-graduate students from economically-disadvantaged sections.

### Project Hunnar – Vocational Training

Through Hire-Train-Deploy (HTD) Model, we conducted vocational training programme for rural educated youth to make them employable. This was done in collaboration with NGOs.

### Swachh Bharat Swachh Vidyalaya

We are supporting the Prime Minister's clean India campaign by constructing toilets for girls in Government Schools as well as maintenance of such toilets.

### Project Hunnar: Drivers Training for Women

We empower underprivileged women and provide them with opportunities to become professional and commercial drivers.

### Nanhi Kali

It was an effort to provide educational support to underprivileged girls from poor urban, remote rural and conflict afflicted communities across India.



➤ Lifeline Project

### Mahindra Pride School

It is a livelihood training programme for youth from socially and economically-disadvantaged sections.

### Lifeline Express

It is a hospital on wheels, catering medical needs in remote rural areas.

### Healthcare Equipment Donation

The project aims at increasing access to healthcare by offering quality services through a well-equipped facility.

### Financial Literacy

We distributed financial literacy kits to school students to inculcate the habit of saving from childhood.

### Ambulance Donation

It is an effort to improve health infrastructure and provide medical services to rural communities at their doorstep.

### Mahindra Hariyali

It is an initiative to improve green cover and protect bio-diversity in the country.

### Technology Incubator

We are supporting social entrepreneurship in India by providing venture capital to early-stage social enterprises.



➤ Tree Plantation Drive at Mumbai



➤ Financial Literacy Kits Distribution, Patna



➤ Blood Donation Camp



➤ Lifeline Project, Bhadohi

## Awards & Recognitions



Mr. Ramesh Iyer received "Business Leadership Award" at the Indian Achievers Forum.

Mr. V. Ravi was conferred with the "Most Influential CFOs of India" Award by Chartered Institute of Management Accountants (CIMA).



Mr. Ramesh Iyer received an Award in the category "CEO - FINANCIAL SERVICES" at the CEO Awards 2015.

Mahindra Finance was declared winner in the Best Innovative CSR Project Category by India CSR Awards.





Mahindra Finance was bestowed with **'Best Innovative Workplace Practices'** and **'Excellence in HR'** at the **Business World HR Excellence Award**.

Mahindra Finance made it to the **Dow Jones Sustainability Emerging Markets Index (DJSI 2015) for the third consecutive year**.

**Mahindra Finance has been appraised at level 3 of the People Capability Maturity Model (People-CMM).** An appraisal rating level 3 indicates that the organisation is performing at a defined level, and its processes are well characterised and understood and described in standards, procedures, tools and methods.

Mahindra Finance won an award in **Cooperatives Summit Gujarat 2015 for DSMS** (Document Storage Management System) as the Best Infrastructure Solution.

Mahindra Finance received the **"Best Integrated Rural Marketing Campaign"** Award for "Bharat ko Pehchante Hai Hum" campaign at "The Rural Marketing Forum and Awards" organised by CMO Asia.

Mahindra Finance was bestowed with an award by **Indian Development Foundation (IDF)** for its CSR initiative.

## Board of Directors



**Mr. Dhananjay Mungale**  
Chairman and Independent  
Director



**Mr. M. G. Bhide**  
Independent Director



**Mr. Piyush Mankad**  
Independent Director



**Mr. C. B. Bhave**  
Independent Director



**Ms. Rama Bijapurkar**  
Independent Director



**Mr. V. S. Parthasarathy**  
Director



**Dr. Anish Shah**  
Director



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



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

# Corporate Information

## Directors

Dhananjay Mungale (Chairman)  
M. G. Bhide  
Piyush Mankad  
C. B. Bhav  
Rama Bijapurkar  
V. S. Parthasarathy  
Dr. Anish Shah  
Ramesh Iyer (Vice-Chairman & Managing Director)  
V. Ravi (Executive Director & Chief Financial Officer)

## Company Secretary

Arnavaz M. Pardiwala

## Registered Office

Gateway Building,  
Apollo Bunder,  
Mumbai - 400 001.  
CIN: L65921MH1991PLC059642  
Website: www.mahindrafinance.com  
E-mail: investorhelpline\_mmfsl@mahindra.com

## Corporate Office

Mahindra Towers,  
4th Floor, Dr. G. M. Bhosale Marg,  
P. K. Kurne Chowk, Worli,  
Mumbai - 400 018.  
Tel.: +91 22 66526000  
Fax: +91 22 24984170/71

## Committees of the Board

### Audit Committee

C. B. Bhav (Chairman)  
Dhananjay Mungale  
M. G. Bhide  
Piyush Mankad  
Rama Bijapurkar  
V. S. Parthasarathy  
Dr. Anish Shah

### Nomination and Remuneration Committee

Piyush Mankad (Chairman)  
M. G. Bhide  
Dhananjay Mungale  
C. B. Bhav

### Stakeholders Relationship Committee

Rama Bijapurkar (Chairperson)  
M. G. Bhide  
Ramesh Iyer  
V. Ravi

## Asset Liability Committee

M. G. Bhide (Chairman)  
Dhananjay Mungale  
V. S. Parthasarathy  
Ramesh Iyer  
V. Ravi

## Risk Management Committee

C. B. Bhav (Chairman)  
Dhananjay Mungale  
M. G. Bhide  
Rama Bijapurkar  
V. S. Parthasarathy

## Corporate Social Responsibility Committee

Piyush Mankad (Chairman)  
Ramesh Iyer  
V. Ravi  
Dr. Anish Shah

## Strategy Committee for Acquisitions

M. G. Bhide  
Dhananjay Mungale  
V. S. Parthasarathy

## Auditors

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

## Solicitors

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

## Debenture Trustee

Axis Trustee Services Limited  
Axis House, 2nd Floor,  
Bombay Dyeing Mills Compound,  
Pandurang Budhkar Marg, Worli,  
Mumbai - 400 025.  
Ph: 022 2425 5215/16  
Fax: 022 2425 4200  
E-mail: debenturetrustee@axistrustee.com

## Registrar and Share Transfer Agents

Karvy Computershare Private Limited  
Karvy Selenium, Tower B,  
Plot Number 31 & 32,  
Gachibowli, Financial District,  
Nanakramguda,  
Hyderabad - 500 032.  
Tel.: + 91 40 67162222  
Fax: + 91 40 23001153  
Website: www.karvy.com  
E-mail: support@karvy.com;  
einward.ris@karvy.com

## Bankers

Abu Dhabi Commercial Bank  
Allahabad Bank  
Andhra Bank  
Axis Bank  
Bank of America  
Bank of Baroda  
Bank of India  
Bank of Maharashtra  
Canara Bank  
Central Bank of India  
Citibank N.A.  
Corporation Bank  
Credit Suisse AG  
Dena Bank  
Deutsche Bank  
FirstRand Bank  
HDFC Bank  
The Hongkong and Shanghai Banking Corporation Limited  
ICICI Bank  
IDBI Bank  
Indian Bank  
IndusInd Bank  
Kotak Mahindra Bank  
Oriental Bank of Commerce  
Punjab and Sind Bank  
Punjab National Bank  
Standard Chartered Bank  
State Bank of Bikaner and Jaipur  
State Bank of India  
State Bank of Patiala  
Syndicate Bank  
The Bank of Novascotia  
UCO Bank  
Union Bank of India  
United Bank of India  
United Overseas Bank  
Vijaya Bank  
Yes Bank

# Summary of Results

(Rs. in Lacs unless indicated otherwise)

SR. NO.	PARTICULARS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
1	Estimated Value of Assets Financed	<b>2670633</b>	2433110	2540002	2383858	1950433	1441987	891536	628122	584972	544094
2	No. of Contracts	<b>4156944</b>	3634688	3119034	2557172	2024038	1557622	1189848	973493	815665	641087
3	Total Assets	<b>3957948</b>	3507415	3166572	2549242	1856156	1368297	942578	775898	723857	640343
4	Total Income	<b>590510</b>	558471	495300	389470	279459	197751	155026	137787	121827	83290
5	Profit before depreciation & tax	<b>107907</b>	129516	137006	130144	94482	71824	53047	33435	28070	21014
6	Depreciation	<b>4089</b>	4152	2430	2224	1956	1579	990	873	873	743
7	Profit before tax	<b>103818</b>	125364	134577	127920	92526	70245	52057	32562	27197	20272
8	Profit after tax	<b>67260</b>	83178	88723	88269	62012	46311	34271	21452	17702	13288
9	Dividend %	<b>200</b>	200	190	180	140	100	75	55	45	40
10	Equity Share Capital	<b>11292</b>	11283	11271	11260	10269	10245	9598	9571	9529	8402
11	Reserves & Surplus	<b>597519</b>	555658	498151	434197	284832	238764	163258	137345	121898	69422
12	Net Worth	<b>608811</b>	566941	509422	445458	295101	249009	172856	146916	131426	77823
13	No. of Employees Engaged	<b>15821</b>	14197	12816	11270	9715	8723	6972	5981	5690	4730
14	No. of Offices	<b>1167</b>	1108	893	657	607	547	459	436	436	403
15	Earnings Per Share - Basic (Rs.) (Face value - Rs.2/- per share )	<b>11.92</b>	14.75	15.75	16.59	12.09	9.57	7.16	4.49	4.16	3.16
16	Earnings Per Share - Diluted (Rs.) (Face value - Rs.2/- per share )	<b>11.83</b>	14.62	15.60	16.40	11.93	8.91	7.07	4.43	3.65	3.07

# Statutory Reports

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# Directors' Report

To,

The Members of  
Mahindra & Mahindra Financial Services Limited

Your Directors are pleased to present their Twenty-Sixth Report together with the audited financial statements of your Company for the Financial Year ended 31st March, 2016.

The performance highlights and summarised financial results of the Company are given below:

## Performance Highlights

- ◆ Consolidated income for the year increased by 9% to Rs.6,597.52 Crores as compared to Rs. 6,060.91 Crores in 2014-15;
- ◆ Consolidated income from operations for the year was Rs. 6,553.87 Crores as compared to Rs. 6,021.14 Crores in 2014-15, a growth of 9%;
- ◆ Consolidated profit before tax for the year was Rs.1,224.12 Crores as compared to Rs. 1,399.87 Crores in 2014-15;
- ◆ Consolidated profit after tax and minority interest for the year was Rs. 772.29 Crores as compared to Rs.912.91 Crores in 2014-15.

## Financial Results

Rs. in Crores

	CONSOLIDATED		STANDALONE	
	March 2016	March 2015	March 2016	March 2015
Total Income	6,597.5	6,060.9	5,905.1	5,584.7
Less : Finance Costs	2,868.3	2,643.0	2,639.3	2,496.7
Expenditure	2,459.4	1,972.5	2,186.7	1,792.9
Depreciation/Amortisation	45.7	45.5	40.9	41.5
Total Expenses	5,373.4	4,661.0	4,866.9	4,331.1
Profit Before Tax	1,224.1	1,399.9	1,038.2	1,253.6
Less : Provision For Tax				
Current Tax	614.4	576.1	535.6	520.0
Deferred Tax	(177.7)	(101.1)	(170.0)	(98.2)
Profit After Tax for the Year before Minority Interest	787.4	924.9	672.6	831.8
Less : Minority Interest	15.1	12.0	-	-
Profit After Tax for the Year after Minority Interest	772.3	912.9	672.6	831.8
Add : Amount brought forward from Previous Years	2,245.6	1,883.4	2,040.9	1,728.3
Add : Transfer of opening balance in profit and loss statement on amalgamation of Mahindra Business & Consulting Services Private Ltd.	-	-	-	5.3
Less : Transitional depreciation charge/Special Reserve	-	9.6	-	3.2
Amount available for Appropriation	3,017.9	2,786.7	2,713.5	2,562.2
<b>Appropriations</b>				
General Reserve	67.2	88.8	67.2	83.2
Statutory Reserve	154.9	179.3	134.5	166.4
Proposed Dividend on Equity Shares	227.5	227.5	227.5	227.5
Income-tax on Proposed Dividend	45.8	45.5	43.8	44.2
Surplus carried to Balance Sheet	2,522.5	2,245.6	2,240.5	2,040.9

### Transfer to Reserves

The Company proposes to transfer an amount of Rs. 67.2 Crores to the General Reserve and Rs.134.5 Crores to the Statutory Reserve. An amount of Rs. 2,240.5 Crores is proposed to be retained in the Statement of Profit and Loss.

### Dividend

Your Directors are pleased to recommend a dividend of Rs. 4 per Equity Share of the face value of Rs. 2 each 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. 271.3 Crores [as against Rs. 271.7 Crores on account of dividend of Rs. 4 per Equity Share paid for the previous year].

### Operations

Your Company continued to offer a wide range of financial products and services to its customers during the year under review. Your Company is continuously expanding its product offerings beyond vehicle financing and diversifying its skill sets along product lines to meet the various lifecycle needs of its customers in the rural and semi-urban geographies. Despite difficult market conditions, the overall disbursement registered a growth of 9.8% at Rs. 26,706.3 crores as compared to Rs. 24,331.1 crores in the previous year. Your Company was able to retain its leadership position in financing the Mahindra range of vehicles and tractors in addition to extending its lending to vehicles of other Original Equipment Manufacturers (OEMs).

Your Company has consolidated its position as a leading financier for Maruti vehicles in semi-urban and rural India by financing over 1,00,000 vehicles during this fiscal. The Company continues to take pioneering effort in introducing technology based solutions and demonstrate effective use of its resources to enhance customer service.

Your Company has a pan-India presence with a network of 1167 offices, which is one of the largest amongst Non-Banking Financial Companies. The new branches opened by the Company in the villages have enabled speedier collections and providing services closer to the customers' doorsteps. Your Company's nationwide network of branches and locally recruited employees have facilitated in catering to the diverse financial requirements of its customers. Your Company has earned the trust and confidence of its customers with its consistent, transparent and reliable services. With its wide presence covering even the most remote areas of the country, your Company is helping customers everywhere to 'RISE' in line with its 'RISE' philosophy.

Your Company has cumulatively financed over four million customers since its inception.

During the year under review, your Company continued to expand its reach in the Micro Small and Medium Enterprises (MSME) segment. MSME Assets Under Management crossed more than Rs. 2,180 crores during the period under review, covering more than 1,316 customers.

Total Income grew by 6% to Rs. 5,905.1 Crores for the year ended 31st March, 2016 as compared to Rs. 5,584.7 Crores for the previous year. Profit Before Tax (PBT) declined by 17% to Rs. 1,038.2 Crores as compared to Rs. 1,253.6 Crores for the previous year. Profit After Tax (PAT) declined by 19% to Rs. 672.6 Crores as compared to Rs. 831.8 Crores in the previous year.

During the year under review, the Assets Under Management stood at Rs. 40,933 Crores as at 31st March, 2016 as against Rs. 36,878 Crores as at 31st March, 2015.

There is no change in the nature of business of the Company during the year under review.

### Distribution of Mutual Fund Products

During the year under review, the activity of distribution of Mutual Fund Products (MFP) was carried out across 158 branches covering 23 States. As on 31st March, 2016, the amount of Assets Under Management outstanding through the Company's Advisory and Distribution Services on MFP, aggregate of institutional and retail segment, was Rs. 1,724.08 Crores and the number of clients stood at 52,454.

### Management Discussion and Analysis Report

A detailed analysis of the Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report.

### Corporate Governance

Your Company practices a culture that is built on core values and ethical governance practices and is committed to transparency in all its dealings. A Report on Corporate Governance along with a Certificate from the Statutory Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraph C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are annexed to this Report.

### Share Capital

The issued, subscribed and paid-up Equity Share Capital as on 31st March, 2016 was Rs.113.75 Crores comprising of 56,87,64,960 Equity Shares of the face value of Rs.2 each. During the year under review, the Company has neither issued shares with differential

rights as to dividend, voting or otherwise, nor has issued sweat equity, other than Employee Stock Options under the Employees' Stock Option Scheme referred to in this Report. As on 31st March, 2016, none of the Directors of the Company holds instruments convertible into Equity Shares of the Company.

### Stock Options

During the year under review, on the recommendation of the Nomination and Remuneration Committee of your Company, the Trustees of the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust have granted 57,920 Stock Options to Eligible Employees under the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme-2010. No new Options have been granted under the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2005 (hereinafter collectively referred to as "the Schemes"). The Company does not have any scheme to fund its employees to purchase the shares of the Company. No employee has been issued stock options during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant.

The Schemes of the Company are in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and there were no material changes to the Schemes. The details of the Employees Stock Options and the Company's Employees Stock Option Trust as required under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 read with SEBI Circular CIR/CFD/POLICY CELL/2/2015 dated 16th June, 2015 have been uploaded on the Company's website and can be accessed at the web-link : <http://www.mahindrafinance.com/annual-reports.aspx>.

Voting rights on the Shares issued to employees under the aforesaid schemes are either exercised by them directly or through their appointed proxy.

### Economy

In 2015, global economic activity remained subdued. Growth in emerging market and developing economies—while still accounting for over 70% of global growth—declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Three key transitions continue to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy. Monetary easing in the euro area and Japan is proceeding broadly as previously envisaged, while in December 2015 the U.S. Federal Reserve lifted

the federal funds rate from the zero lower bound. Overall, financial conditions within advanced economies remain very accommodative. Prospects of a gradual increase in policy interest rates in the United States as well as bouts of financial volatility amid concerns about emerging market growth prospects have contributed to tighter external financial conditions, declining capital flows, and further currency depreciations in many emerging market economies.

Domestic economic activity lost pace in the second half of 2015-16, slowed down by muted investment and a prolonged contraction in exports. While private consumption has been the mainstay in holding up aggregate demand, it has largely been an urban phenomenon; coincident indicators of rural consumption have generally remained weak or in negative territory. Aggregate supply moderated with the impact of deficient monsoons on agriculture. Gross value added in industry benefited from the decline in input costs while services remained in expansion mode. Headline Consumer Price Index inflation is projected to moderate in 2016-17 to around 5 % while real GDP growth is projected to improve gradually to 7.6% in 2016-17.

By contrast, rural consumption remained weak in H2; with moderation in wage growth, rural incomes have been depressed by shocks to farm activity from back-to-back deficient monsoons. In Q4, however, there was a pick-up in sales of tractors and two-wheelers which could be indicative of a turning point in the rural economy. The prospects for Consumption Expenditure have been brightened by the proposal to implement the 7th Pay Commission award and one-rank-one-pension for retired defence personnel. The focus of the Union Budget 2016-17 on reviving the rural economy and doubling rural incomes could support rural consumption demand more enduringly going forward.

With easing of inflationary conditions, the Reserve Bank of India (RBI) signalled softening of the monetary policy stance by cutting policy repo rates by 25 bps in June and 50 bps in September to 6.75%. RBI through active liquidity management operations ensured that Liquidity conditions remained broadly stable and it continued to provide liquidity through overnight and term repos. Liquidity conditions are expected to be comfortable in the coming year. These conditions should augur well for a reinvigoration of private consumption demand. This coupled with a stable government, thrust on rural infrastructure and reforms, it is expected that India's growth will be strong.

Your Company has maintained its leadership position for vehicles and tractors in the rural and semi-urban markets. Despite unfavourable monsoons affecting the tractor segment, the Company maintained a healthy growth of business backed by growth in the overall



auto industry. All vehicle categories were in the positive territory except for Tractors, which are gradually moving towards positive territory.

### Finance

During the year under review, the Reserve Bank of India (RBI) maintained its accommodative stance and remained focused on keeping the economy on a disinflationary glide path. The RBI remained vigilant about inflation, geo-political risks, global oil and commodity prices, monsoon, domestic demand and external volatility impacting the exchange rate. In FY15-16, the RBI intermittently cut the policy rates on the basis of available data, first by 25bps in the month of June 2015 and then a frontloaded 50 bps in the month of September 2015. With this, in this rate-cutting cycle that began on January 2015, the RBI has brought down the repo rate by 125 bps (75 bps in FY 2015-16). Liquidity conditions remained in a deficit but stable mode throughout the year barring last quarter wherein the pace of Government expenditure slowed and liquidity deficit increased substantially. RBI through active liquidity management operations ensured that liquidity conditions remained broadly stable and it continued to provide liquidity through overnight and term repos. Sovereign and corporate bond yields which had started to ease ahead of the monetary policy easing cycle – got increasingly disconnected and firmed up through the second half of 2015-16. However, after the announcement of the Union Budget, yields steadily eased.

During FY 2015-16, the median base rate of Banks, declined by around 50 bps (in a late reaction to the rate cutting cycle). Your Company was able to take advantage of reduction in interest rates by having appropriate borrowing strategies and ensuring that prudent Asset Liability Management Guidelines are adhered to.

During the year under review, your Company continued with its diverse methods of sourcing funds in addition to regular borrowings like Secured and Unsecured Debentures, Term Loans, Commercial Paper, etc., and maintained prudential Asset/ Liability match throughout the year. Your Company sourced long term debentures and loans from banks and other institutions at attractive rates.

Your Company also issued Subordinated Debt amounting to Rs. 175 Crores and successfully completed four at par securitisation transactions aggregating to Rs. 855.9 Crores.

### Public Issuance of Non-Convertible Debentures

During the year under the review, the Board of Directors of your Company approved the proposal of raising of funds by way of a public issue of Non-Convertible Debentures including Subordinated Debentures (NCDs) for an amount not exceeding Rs. 1,000 Crores, in one or more tranches, pursuant to the provisions of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and other applicable laws.

The Company has filed the Draft Shelf Prospectus with the Securities and Exchange Board of India and the BSE Limited, being the designated Stock Exchange for the proposed NCD issue and has received the in-principal approval for listing of the NCDs from the BSE Limited on 28th March, 2016.

### Investor Relations

During the year under review, your Company continued to engage with investors in many ways, including one on one meetings, telepresence meetings, participation in investor conferences and quarterly earnings calls. Your Company interacted with Indian and overseas investors and analysts in a number of investor meets organised by reputed Global and Domestic Broking Houses, both in India and abroad, to communicate details of performance, important developments and exchange of information. Your Company ensures that critical information about the Company is available to all the investors by hosting all such information on the Company's website.

### Capital Adequacy

As on 31st March, 2016, the Capital to Risk Assets Ratio (CRAR) of your Company was 17.3%, which is well above 15.0% CRAR prescribed by the RBI.

### 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. Your Company continues to make a general provision at 0.40% on the standard assets outstanding as against 0.30% mandated by the RBI.

## Credit Rating

The credit rating details of the Company as on 31st March, 2016 were as follows:

Rating Agency	Type of Instrument	Rating*	Remarks
India Ratings & Research Private Limited	National Long-term instrument and Lower Tier II Subordinated Debt programme	'IND AAA/Stable'	The 'AAA' ratings denote the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
CARE Ratings	Long-term debt instrument and Lower Tier II Subordinated Debt programme	'CARE AAA'	
Brickwork Ratings India Private Limited	Company's Long-term Subordinated Debt Issue	'BWR AAA/Stable'	The 'AA' rating indicates a high degree of safety with regard to timely payment of financial obligations.
CRISIL Limited	Fixed Deposit Programme	'FAAA/Stable'	
CRISIL Limited	Long-term Debt Instruments and Bank Facilities	'CRISIL AA+/Stable'	The 'A1'+ rating indicates the Highest Level of Rating. Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
	Short-term Debt and Bank Loans	'CRISIL A1+'	

\* The ratings mentioned above were reaffirmed by the Rating Agencies during the Financial Year 2015-16.

## Achievements

During the year under review, your Company won several awards. Select few awards are enumerated hereunder:

- ◆ Best Innovative Workplace Practices
- ◆ 'Excellence in HR' at the Business World HR Excellence Award
- ◆ Indian Development Foundation (IDF) Award for CSR initiatives
- ◆ Best Innovative CSR Project Category by India CSR Awards
- ◆ "Best HR and Talent Practice" (in NBFC Category) in the "Inspiring Workplaces Awards 2015"
- ◆ "Best Integrated Rural Marketing Campaign" for "Bharat ko Pehchante Hai Hum" campaign in "The Rural Marketing Forum and Awards" organised by CMO Asia
- ◆ "Cooperatives Summit Gujarat 2015 Award" for the Best Infrastructure Solutions 'Document Storage Management System'

During the year your Company was appraised and rated at level 3 of the People Capability Maturity Model (People-CMM).

## Fixed Deposits and Loans/Advances

Your Company offers Fixed Deposit schemes that cater to various classes of investors. The Deposits carry attractive interest rates with superior service enabled by robust processes and technology. In order to tap rural savings your Company proposes to expand its network and make its presence felt in the most remote areas of the country.

As on 31st March, 2016, your Company has mobilized funds from Fixed Deposits to the tune of Rs. 4,784.3 Crores, with an investor base of over 1,60,457 investors.

Your Company has initiated several customer centric measures on an ongoing basis to further strengthen its processes in sync with the requirements of the Fixed Deposit holders. The Company communicates various intimations via SMS, e-mails, post, etc., to its investors. During the year under review your Company has introduced:

- ◆ Online renewal facility
- ◆ Online generation of TDS certificates from customer/broker portal
- ◆ Reminder emails to clients whose TDS is likely to be

deducted before any payout/accrual.

- ◆ Seamless Investment process for employees

As at 31st March, 2016, 1,592 deposits amounting to Rs. 6.87 Crores had matured for payment and remained unclaimed. The unclaimed deposits have since reduced to 1,177 deposits amounting to Rs. 5.26 Crores.

Your Company being a Non-Banking Financial Company, the disclosures required as per Rule 8 (5)(v) and (vi) of the Companies (Accounts) Rules, 2014 read with sections 73 and 74 of the Companies Act, 2013, are not applicable to it.

The information pursuant to Part III - Direction 5 of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, regarding overdue of public deposits/unclaimed public deposits as on 31st March, 2016 is furnished below:

- i. total number of accounts of public deposits of the Company which have not been claimed by the depositors or not paid by the Company after the date on which the deposit became due for repayment: 1,579.
- ii. the total amounts due under such accounts remaining unclaimed or unpaid beyond the dates referred to in clause (i) as aforesaid: Rs. 6,86,51,124.

Your Company sends intimation letters via registered post every 3 months to all those fixed deposit holders whose deposits have matured as well as to those whose deposits remain unclaimed.

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 Regulation 34 read with paragraph A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, are furnished separately.

### Particulars of Loans, Guarantees or Investments in Securities

Pursuant to section 186(11) of the Companies Act, 2013 ('the Act'), the provisions of section 186 (4) of the Act requiring disclosure in the financial statements of the full particulars of the loans made and guarantees given or securities provided by a Non-Banking Financial Company in the ordinary course of its business and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security are exempted from disclosure in the Annual Report.

Further, pursuant to the provisions of section 186 (4) of the Act, the details of investments made by the Company are given in the Notes to the Financial Statements.

### Sustainability Initiatives

Your Company continues to protect and sustain the rural livelihoods through a sustainable business model. The business model aims at transforming rural lives and driving positive change in the community. Your Company has been reporting on Triple Bottom Line Performance; i.e., People, Profit and Planet since the Financial Year 2008-09 through the Mahindra Group Sustainability Report.

During the Financial Year 2015-16, your Company released its third standalone Sustainability Report for the previous Financial Year 2014-15. This Report portrays a balanced approach towards economic activity, environmental and social dimensions on aspects important and material for the organisation. This Report is externally assured and in line with international reporting standards of latest Global Reporting Initiative (GRI) G4 Guidelines. The theme of the Report is 'Inspiring Transformation, Realizing Aspirations' and the same has been hosted on the Company's website at the web-link: [www.mahindrafinance.com/sustainability.aspx](http://www.mahindrafinance.com/sustainability.aspx).

During the year under review, your Company continued with its focus on sustainability awareness for employees, vendors, suppliers and customers and took various initiatives in this direction. Your Company made proactive efforts to fight against global warming through Project 'Mahindra Hariyali', by planting more than 93,500 saplings across the country. Various initiatives were also taken for road safety, energy, paper and waste conservation and e-waste management.

In addition to this, your Company continues to report on Carbon Disclosure Project (CDP) from the Financial Year 2011-12. CDP seeks information on carbon emissions disclosures from world's largest companies and focuses on how companies are geared up, to deal with the challenges of climate change in a carbon constrained economy. During the year under review, your Company also became part of CDP's Carbon Disclosure Leadership Index (CDLI) 2015 in India for second time in a row, acknowledging the Company's efforts for climate change mitigation.

Your Company has been listed on the Dow Jones Sustainability Index (DJSI) Emerging Market Trends for the third consecutive year. To be incorporated in the DJSI, companies are assessed and selected based on their long term Environmental Social Governance (ESG) asset management plans. Your Company is the only Indian Company from amongst the Diversified Financial Services Companies in India to have made it to this list.

Your Company is working comprehensively on sustainability. During the year under review your Company has constituted a Sustainability Council which comprises of senior members representing different

functions of the organization. This cross functional team approach facilitates optimum use of all relevant resources, experience and knowledge from all levels to guide sustainability initiatives.

**Business Responsibility Report**

In accordance with Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”), the inclusion of Business Responsibility Report (BRR) as a part of the Annual Report is mandated for top 100 listed entities for the year 2015-16 based on the market capitalization. Although the BRR is not mandatory for the Company for the year 2015-16, as a responsible corporate citizen, your Company has proactively decided to prepare the BRR in the format prescribed by SEBI. The Company’s BRR will be available on its website at the web-link: [www.mahindrafinance.com/sustainability.aspx](http://www.mahindrafinance.com/sustainability.aspx). Any shareholder interested in obtaining a physical copy of the same may write to the Company Secretary of the Company.

**Corporate Social Responsibility**

Through its various Corporate Social Responsibility (“CSR”) initiatives, the Mahindra Group is enabling entire communities to ‘RISE’. With a vision of transforming the lives of youth from socially weaker and economically disadvantaged sections of society, the Mahindra Group is committed to ‘building possibilities’ to enable them to ‘RISE’ above their limiting circumstances by innovatively supporting them through programs in the domains of education, health and environment.

The Company has duly constituted a CSR Committee in accordance with section 135 of the Companies Act, 2013 to assist the Board and the Company in fulfilling the corporate social responsibility objectives of the Company. The CSR Committee presently comprises Mr. Piyush Mankad (Chairman), Mr. Ramesh Iyer, Mr. V. Ravi and Dr. Anish Shah.

During the year under review, your Company organized a nationwide Blood Donation Drive, Health check-up camps, visits to municipal schools, visits to Orphanages/ Differently-abled Homes/Old-age homes, to re-affirm its pledge to the society. The ‘Lifeline Express’, a hospital on wheels, in association with Impact India Foundation, catered to the medical needs of 7,421 underprivileged people in Bhadohi (Uttar Pradesh).

As a part of its commitment to Corporate Social Responsibility, during the year your Company implemented projects for scholarships to undergraduate and graduate students, vocational training and financial literacy, supported technology incubators, ambulance and medical care equipment donation and sanitation. The Company also continued to offer assistance to Nanhi Kali which provides educational support to the underprivileged

girls from poor urban, remote rural and conflict afflicted communities across India and Mahindra Pride School to empower youth from socially and economically disadvantaged sections of society by providing them with livelihood training, to enable them to gain employment based on their skills, implemented by the K.C. Mahindra Education Trust.

Your Company also participated in the Prime Minister’s clean India campaign “Swachh Bharat Swachh Vidyalaya” by constructing toilets for girls in Government Schools as well as maintenance of such toilets.

The Company’s Employee Social Options (Esops) program supports employees in creating volunteering projects based on the needs of underprivileged communities in and around their places of work.

During the year under review, your Company has spent Rs. 29.06 Crores towards Corporate Social Responsibility on CSR projects/programs. Your Company is in compliance with the statutory requirements in this regard.

The CSR Policy of the Company is hosted on the Company’s website at the link <http://www.mahindrafinance.com/csr.aspx> and a brief outline of the CSR Policy and the CSR initiatives undertaken by the Company during the year as per Annexure prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been appended as **Annexure I** to this Report.

**Extract of Annual Return**

Pursuant to sub-section 3(a) of section 134 and sub-section (3) of section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at 31st March, 2016 forms part of this Report and is appended herewith as **Annexure II**.

**Board Meetings and Annual General Meeting**

The calendar of the Board/ Committee Meetings and the Annual General Meeting are circulated to the Directors in advance to enable them to plan their schedule for effective participation at the respective meetings. Additional Board Meetings are convened by giving appropriate notice to address business exigencies. At times certain decisions are taken by the Board/Committee through circular resolutions.

All the decisions and urgent matters approved by way of circular resolutions are placed and noted at the subsequent Board/Committee Meeting.

The Board met five times in the financial year 2015-16 viz., on 23rd April, 2015, 24th July, 2015, 21st October, 2015, 21st January, 2016 and 18th March, 2016. The gap between two Meetings did not exceed one hundred and twenty days. The 25th Annual General Meeting (“AGM”) of the Company was held on 24th July, 2015.

Detailed information on the meetings of the Board, its Committees and the AGM is included in the Report on Corporate Governance, which forms part of this Annual Report.

### Meetings of Independent Directors

The Independent Directors met twice during the year under review. The Meetings were conducted in an informal manner without the presence of the Whole-time Directors, the Non-Executive Non-Independent Directors, or any other Management Personnel.

### Committees of the Board of Directors

The Company has various Committees which have been constituted as a part of the good corporate governance practices and the same are in compliance with the requirements of the relevant provisions of applicable laws and statutes.

Your Company has an adequately qualified and experienced Audit Committee with Mr. C. B. Bhave as the Chairman and Mr. Dhananjay Mungale, Mr. M. G. Bhide, Ms. Rama Bijapurkar, Mr. Piyush Mankad, Mr. V. S. Parthasarathy and Dr. Anish Shah as Members. The recommendations of the Audit Committee were duly approved and accepted by the Board during the year under review.

The other Committees of the Board are:

- i) Nomination and Remuneration Committee
- ii) Stakeholders Relationship Committee
- iii) Corporate Social Responsibility Committee
- iv) Risk Management Committee
- v) Asset Liability Committee
- vi) Strategy Committee for Acquisitions

The details with respect to the composition, powers, roles, terms of reference, Meetings held and attendance of the Directors at such Meetings of the relevant Committees are given in detail in the Report on Corporate Governance of the Company which forms part of this Annual Report.

### Directors and Key Managerial Personnel Directors

Mr. Bharat N. Doshi, Non-Executive Non-Independent Director of the Company, resigned as the Chairman and Member of the Board of Directors of the Company with effect from 9th March, 2016, in view of his appointment as a Director on the Central Board of Reserve Bank of India.

Mr. Doshi has been associated with the Company since its inception in 1991. He led the initiative of conceptualizing, establishing and then nurturing and growing the Company far beyond the captive status it had in its formative years. He was a Member of the Board of Directors of the Company from March 1992, and its Chairman from April 2008.

The Board Members unanimously complimented Mr.

Doshi on the illustrious services rendered by him to the Company and the Financial Services Sector. The Board also acknowledged Mr. Doshi's contribution to the Company and placed on record its deep appreciation on the invaluable counsel rendered by him to the Company and his immense contribution in guiding the management during his tenure as the Chairman of the Company.

In the light of Mr. Doshi relinquishing his office as the Chairman and Director of the Company, the Board at its Meeting held on 18th March, 2016 unanimously decided to appoint Mr. Dhananjay Mungale, Independent Director, as the Chairman of the Company with effect from the date of the said Board Meeting.

Mr. Dhananjay Mungale has been a Member of the Board of Directors of the Company since 1st March, 1999 and was also the Chairman of the Audit Committee of the Board from 27th October, 2008.

Further, the Board at its Meeting held on 18th March, 2016, had on the recommendation of the Nomination and Remuneration Committee, unanimously decided to elevate Mr. Ramesh Iyer, Managing Director to the position of Vice-Chairman, designated as "Vice-Chairman & Managing Director" of the Company.

Mr. Ramesh Iyer has been associated with the Company since 1995 and was promoted to the position of Chief Executive Officer in May 1999. Mr. Iyer was then appointed as Managing Director of the Company with effect from 30th April, 2001.

Further, on the recommendation of the Nomination and Remuneration Committee, the Board at its Meeting held on 18th March, 2016 has appointed Dr. Anish Shah, as an Additional Director of the Company.

Dr. Anish Shah holds office upto the date of the ensuing AGM of the Company.

The Board at its adjourned Meeting held on 24th July, 2015 [after conclusion of the Annual General Meeting (AGM)] had appointed Mr. V. Ravi as an Additional Director with effect from 25th July, 2015 and subject to the approval of the Shareholders, appointed Mr. V. Ravi as the Whole-time Director designated as "Executive Director & Chief Financial Officer" effective from 25th July, 2015. Mr. V. Ravi holds office upto the date of the ensuing AGM of the Company.

The Board at its Meeting held on 23rd April, 2016 has decided to place the aforesaid proposals for the appointment of Mr. V. Ravi and Dr. Anish Shah for the approval of the Members by means of a Postal Ballot.

The Company has received notices from the Members under section 160 of the Act, signifying their intention to

propose Mr. V. Ravi and Dr. Anish Shah as a candidate for the office of Director of the Company to be placed for approval of the Members by way of a Postal Ballot voting process.

The term of office of Mr. Ramesh Iyer, Vice-Chairman & Managing Director of the Company, expires on 29th April, 2016.

On the recommendation of the Nomination and Remuneration Committee, the Board at its Meeting held on 23rd April, 2016, has approved the re-appointment of Mr. Ramesh Iyer, as the Vice-Chairman & Managing Director of the Company from 30th April, 2016 to 29th April, 2021, subject to the approval of the Members to be obtained by way of Postal Ballot.

As mentioned in the previous Annual Report, Mr. Uday Y. Phadke did not seek re-appointment and accordingly ceased to be a Director upon expiry of his term at the 25th Annual General Meeting held on 24th July, 2015.

Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director, retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

None of the Independent Directors are due for re-appointment.

### Key Managerial Personnel

Mr. Ramesh Iyer, Vice-Chairman & Managing Director, Mr. V. Ravi, Executive Director & Chief Financial Officer and Ms. Arnava M. Pardiwala, Company Secretary of the Company have been designated as the Key Managerial Personnel of the Company (KMP) pursuant to the provisions of sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

None of the KMP has resigned during the year under review.

### Declaration by Independent Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they fulfill the criteria of independence as prescribed under sub-section (6) of section 149 of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015.

### Directors' Responsibility Statement

Pursuant to the provisions of section 134(5) of the Companies Act, 2013, ('the Act') your Directors confirm that:

i. In the preparation of the annual accounts for financial year ended 31st March, 2016, the

applicable accounting standards have been followed and there are no material departures in adoption of these standards;

ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the profit of the Company for the year ended on that date.

iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. The Directors have prepared the annual accounts for financial year ended 31st March, 2016 on a going concern basis.

v. The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and have been operating efficiently.

vi. The Directors have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

### Performance Evaluation of the Board

The Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") stipulate the evaluation of the performance of the Board, its Committees, Individual Directors and the Chairperson.

The Company has formulated a Policy for performance evaluation of the Independent Directors, the Board, its Committees and other individual Directors which includes criteria for performance evaluation of the Non-Executive Directors and Executive Directors.

The evaluation framework for assessing the performance of Directors comprises of various key areas such as attendance at Board and Committee Meetings, quality of contribution to Board discussions and decisions, strategic insights or inputs regarding future growth of the Company and its performance, ability to challenge views in a constructive manner, knowledge acquired with regard to the Company's business/activities, understanding of industry and global trends, etc.

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Board of

Directors. A member of the Board will not participate in the discussion of his/her evaluation.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually (including Independent Directors) as well as the evaluation of the working of its Committees.

Well-defined and structured questionnaires were prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, oversight of Company's subsidiaries, etc.

A separate exercise was carried out to evaluate the performance of individual Directors who were evaluated on several parameters such as level of engagement and contribution, independence of judgment safeguarding the interest of the Company and its minority shareholders and knowledge acquired with regard to the Company's business/activities.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee. The Directors have expressed their satisfaction with the evaluation process.

#### **Familiarisation Programme for Independent Directors**

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters along with details of number of programmes and number of hours spent by each of the Independent Directors during the Financial Year 2015-16, as required pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are available on the website of the Company at the link: <http://www.mahindrafinance.com/pdf/familiarisation-programme-for-IDs.pdf>.

#### **Policies on Appointment of Directors and Remuneration of Directors, Key Managerial Personnel and Employees**

In accordance with the provisions of section 134(3)

(e) of the Companies Act, 2013 ("the Act") read with section 178(2) of the Act and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has adopted a Policy on Appointment of Directors and Senior Management and succession planning for orderly succession to the Board and the Senior Management, which inter alia, includes the criteria for determining qualifications, positive attributes and independence of Directors.

Your Company has also adopted the Policy on Remuneration of Directors and the Remuneration Policy for Key Managerial Personnel and Employees of the Company in accordance with the provisions of sub-section (4) of section 178, and the same are appended as **Annexure III-A** and **Annexure III-B** and form part of this Report.

The criteria for determining qualifications, positive attributes and independence of a Director and the Remuneration Policy for Directors, Key Managerial Personnel and other employees have been discussed in detail in the Report on Corporate Governance.

#### **Auditors**

##### **Statutory Auditors**

Messrs. B. K. Khare & Co., Chartered Accountants, [ICAI Firm Registration No.105102W] the Statutory Auditors of the Company, hold office till the conclusion of the forthcoming Annual General Meeting (AGM) and are eligible for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules framed thereunder, it is proposed to appoint Messrs. B. K. Khare & Co., as the Statutory Auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the next AGM.

As required under the provisions of section 139(1) of the Companies Act, 2013 the Company has received a written consent from Messrs. B. K. Khare & Co., Chartered Accountants to their re-appointment and a Certificate, to the effect that their re-appointment, if made, would be in accordance with the provisions of the Companies Act, 2013 and the Rules framed thereunder and that they satisfy the criteria provided in section 141 of the Companies Act, 2013 read with Rule 4(1) of the Companies (Audit and Auditors) Rules, 2014.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

##### **Secretarial Auditor**

The Board of Directors of the Company has appointed KSR & Co., Company Secretaries LLP to conduct the Secretarial Audit of the Company pursuant to the provisions of section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. In accordance with the provisions of sub-section (1) of section 204, the

Secretarial Audit Report for the Financial Year 2015-16 is appended to this Report as **Annexure IV**.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

### **Reporting of Frauds by Auditors**

During the year under review, the Statutory Auditors and the Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

### **Particulars of Contracts or Arrangements with Related Parties**

All contracts/arrangements/ transactions entered into by the Company during the Financial Year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the Policy on Related Party Transactions. Pursuant to section 134(3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable.

The Policy on Related Party Transactions as approved by the Audit Committee and the Board of Directors of the Company is uploaded on the website of the Company and same can be accessed on the web link: <http://www.mahindrafinance.com/policies.aspx>.

### **Material Changes and Commitments affecting the Financial Position of the Company**

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

### **Risk Management Policy**

Your Company has a comprehensive Risk Management Policy in place and has laid down a well-defined risk management framework to identify, assess and monitor risks and strengthen controls to mitigate risks. Your Company has established procedures to periodically place before the Risk Management Committee and the Board of Directors, the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate these risks.

The development and implementation of Risk Management Policy adopted by the Company is discussed in detail in

the Management Discussion and Analysis chapter, which forms part of this Annual Report.

### **Whistle Blower Policy/Vigil Mechanism**

The Company promotes ethical behaviour in all its business activities and has established a vigil mechanism for its Directors, Employees and Stakeholders associated with the Company to report their genuine concerns.

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed thereunder and the Listing Regulations is implemented through the Whistle Blower Policy, to provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

As per the amended Whistle Blower Policy implemented by the Company, the Employees, Directors, customers, dealers, vendors, suppliers, or any Stakeholders associated with the Company are free to report illegal or unethical behaviour, actual or suspected fraud or violation of the Company's Codes of Conduct or Corporate Governance Policies or any improper activity to the Chairman of the Audit Committee of the Company or Chairman of the Company or Convenor of the Corporate Governance Cell.

The Whistle Blower Policy provides for protected disclosure and protection to the Whistle Blower. Under the Whistle Blower Policy, the confidentiality of those reporting violation(s) is protected and they are not subject to any discriminatory practices. Protected disclosures can also be made by sending an email at the designated email id : [mmfsl\\_whistleblower@mahindra.com](mailto:mmfsl_whistleblower@mahindra.com).

The Whistle Blower Policy has been appropriately communicated within the Company and has also been hosted on the website of the Company: [http://www.mahindrafinance.com/pdf/MMFSL\\_VigilMechanism.pdf](http://www.mahindrafinance.com/pdf/MMFSL_VigilMechanism.pdf). No personnel have been denied access to the Audit Committee.

### **Subsidiaries, Joint Venture and Associates**

A Report on the performance and financial position of each of the subsidiaries and the joint venture company as per the Companies Act, 2013 is provided in Form AOC-1 as Annexure A to the Consolidated Financial Statement and hence not repeated here for the sake of brevity. The policy for determining material subsidiaries as approved may be accessed on the Company's website at the web link: <http://www.mahindrafinance.com/policies.aspx>

### **Subsidiaries**

#### **Mahindra Insurance Brokers Limited**

During the year under review, Mahindra Insurance Brokers Limited (MIBL) serviced 1.3 million insurance



cases, with a total of 13,30,929 cases for both Life and Non-Life Retail business. The customized Life insurance cover "Mahindra Loan Suraksha" (MLS) increased from 4,59,781 lives covered with a Sum Assured of Rs. 13,515.4 crores in the Financial Year 2014-15 to 5,13,093 lives covered with a Sum Assured of Rs. 14,792.8 crores in the Financial Year 2015-16. This is in spite of the general economic slowdown witnessed during the year having a cascading impact on the auto-manufacturing and auto financing industry. A substantial portion of MLS continues to be covered in the rural markets.

MIBL achieved a growth of 24% in Gross Premium facilitated for the Corporate and Retail business lines, increasing from Rs. 1,002.7 crores in the Financial Year 2014-15 to Rs. 1,238.6 crores in the Financial Year 2015-16.

The Total Income of MIBL increased by 18% from Rs. 126.2 crores in the Financial Year 2014-15 to Rs. 149.2 crores in the Financial Year 2015-16. The Profit before Tax increased by 15% from Rs. 65.3 crores to Rs. 75.2 crores, and the Profit after Tax increased by 13% from Rs. 42.9 crores to Rs. 48.5 crores during the same period.

#### **Mahindra Rural Housing Finance Limited**

Mahindra Rural Housing Finance Limited (MRHFL) has during the year ended 31st March, 2016, disbursed loans aggregating Rs. 1,552.5 crores (previous year Rs. 989.6 crores) achieving a growth of 57% over the previous year. Profit after tax was 42% higher at Rs. 62.7 crores as compared to Rs. 44.2 crores for the previous year. The outstanding loan portfolio as at 31st March, 2016 stood at Rs. 3,264.5 crores.

MRHFL continued its focus on serving customers in rural India. Majority of the loans disbursed were to customers in villages with an average annual household income of less than Rs. 1.5 lakhs. During the year under review, around 1,25,074 families were given home loans (in addition to around 2,63,080 existing families as on 31st March, 2015).

MRHFL has been expanding its geographical presence, to provide affordable services for rural households and has also entered the semi-urban market segment.

#### **Mahindra Asset Management Company Private Limited**

The Securities and Exchange Board of India vide its letter dated 4th February, 2016 has granted the certificate of registration to 'Mahindra Mutual Fund' ("the Fund") and approval to the Company's wholly-owned subsidiary Mahindra Asset Management Company Private Limited (MAMCPL), to act as the asset management company/

investment manager to the Fund. During the year under review, MAMCPL has not commenced any business activities.

#### **Mahindra Trustee Company Private Limited**

The Securities and Exchange Board of India vide its letter dated 4th February, 2016 has granted the certificate of registration to 'Mahindra Mutual Fund' ("the Fund"). Mahindra Trustee Company Private Limited (MTCPL), the wholly-owned subsidiary of the Company, will be engaged as a Trustee to the Fund. During the year under review, MTCPL has not commenced any business activities.

#### **Joint Venture**

##### **Mahindra Finance USA LLC.**

The joint venture company's disbursement registered a growth of 27.5% to USD 6,807.75 Lacs for the year ended 31st March, 2016 as compared to USD 5,337.09 Lacs for the previous year.

Income grew by 42.04% to USD 313.09 Lacs for the year ended 31st March, 2016 as compared to USD 220.43 Lacs for the previous year. Profit Before Tax was 26.36% higher at USD 89.70 Lacs as compared to USD 70.99 Lacs for the previous year. Profit After Tax grew at a healthy rate of 26.02% to USD 57.30 Lacs as compared to USD 45.47 Lacs in the previous year.

#### **Names of companies which have become or ceased to be subsidiaries, joint ventures or associate companies during the year**

During the year under review, no company has become or ceased to be a subsidiary, joint venture or associate of the Company.

The Company shall provide the copy of the annual accounts of its subsidiary companies and the related information to the Members of the Company on their request. The annual accounts of the subsidiary companies will also be kept open for inspection by any Member at the Registered Office of the Company and also at the Registered Office of the respective subsidiary companies during working hours upto the date of the Annual General Meeting.

The Annual Reports of the subsidiaries will also be available on your Company's website at the link: <http://www.mahindrafinance.com/annual-reports.aspx>.

#### **Material Subsidiary**

Pursuant to Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, if the income or net worth of any subsidiary company exceeds 20% of the consolidated income or net worth respectively of the listed holding company and its subsidiaries in the immediately preceding accounting year; that subsidiary would be termed as a 'Material Subsidiary'.

In view of the above, there is no material subsidiary of your Company for the Financial Year 2015-16.

### Consolidated Financial Statements

The Consolidated Financial Statements of the Company and its four subsidiaries viz. Mahindra Insurance Brokers Limited, Mahindra Rural Housing Finance Limited, Mahindra Asset Management Company Private Limited and Mahindra Trustee Company Private Limited prepared in accordance with Accounting Standard AS 21 prescribed by The Institute of Chartered Accountants of India, form part of this Annual Report. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies and its joint venture viz. Mahindra Finance USA LLC.

### Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future

There are no significant and material orders passed by the regulators or courts or tribunals that would impact

the going concern status of the Company and its future operations.

### Details in respect of adequacy of internal financial controls with reference to the Financial Statements

Your Company has in place adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. Review of the internal financial controls environment of the Company was undertaken during the year which covered verification of entity level control, process level control and IT controls, identification, assessment and definition of key business processes and analysis of risk control matrices, etc.

Reasonable Financial Controls are operative for all the business activities of the Company and no material weakness in the design or operation of any control was observed.

### Particulars of Remuneration and related disclosures

Disclosures pursuant to Section 197(12) of the Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are as under:

Sr. Disclosure Requirement No.	Disclosure Details		
	Name of Director/KMP	Designation	Ratio of the remuneration of each Director to median remuneration of employees
1. Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2015-16.	Mr. Dhananjay Mungale	Chairman	9.88X
	Mr. Bharat Doshi#	Former Chairman	21.45X
	Mr. Uday Y. Phadke*	Non-Executive Director	NIL
	Mr. M. G. Bhide	Independent Director	10.51X
	Mr. Piyush Mankad	Independent Director	10.21X
	Mr. C. B. Bhave	Independent Director	9.62X
	Ms. Rama Bijapurkar	Independent Director	9.58X
	Mr. V. S. Parthasarathy	Non-Executive Director	NIL**
	Dr. Anish Shah	Non-Executive Director	NIL**
	Mr. Ramesh Iyer	Vice-Chairman & Managing Director	184.02X
	Mr. V. Ravi	Executive Director & Chief Financial Officer	85.14X
Ms. Arnavaz M. Pardiwala	Company Secretary & Compliance Officer	18.49X	

# Mr. Bharat Doshi has resigned as Chairman and Member of the Board w.e.f. 9th March, 2016

\* Mr. Uday Y. Phadke has ceased to be Director of the Company w.e.f. 24th July, 2015.

\*\* Mr. V. S. Parthasarathy and Dr. Anish Shah do not receive any remuneration from the Company.

Sr. Disclosure Requirement No.	Disclosure Details		
	Name of Director/KMP	Designation	% increase in Remuneration
2. Percentage increase in Remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2015-16.	Mr. Dhananjay Mungale	Chairman	3.17
	Mr. Bharat Doshi#	Former Chairman	0.87
	Mr. Uday Y. Phadke*	Non-Executive Director	NIL
	Mr. M. G. Bhide	Independent Director	8.50
	Mr. Piyush Mankad	Independent Director	3.42
	Mr. C. B. Bhave	Independent Director	N.A.@
	Ms. Rama Bijapurkar	Independent Director	18.23
	Mr. V. S. Parthasarathy	Non-Executive Director	NIL**
	Dr. Anish Shah	Non-Executive Director	NIL**
	Mr. Ramesh Iyer	Vice-Chairman & Managing Director	-32.43
	Mr. V. Ravi	Executive Director & Chief Financial Officer	-38.06
	Ms. Arnavaz M. Pardiwala	Company Secretary & Compliance Officer	4.56
	#	Mr. Bharat Doshi has resigned as Chairman and Member of the Board w.e.f. 9th March, 2016	
*	Mr. Uday Y. Phadke has ceased to be Director of the Company w.e.f. 24th July, 2015.		
@	Details not given as Mr. C. B. Bhave was a Director only for part of the Financial Year 2014-15		
**	Mr. V. S. Parthasarathy and Dr. Anish Shah do not receive any remuneration from the Company.		
3.	Percentage increase in the median Remuneration of employees in the Financial Year	9.93% considering employees who were in employment for the whole of the Financial Year 2014-15 and Financial Year 2015-16.	
4.	Number of Permanent employees on the rolls of the Company as on 31st March, 2016	15,955	
5.	Explanation on relationship between average increase in Remuneration and Company performance	The increase in the Remuneration is in line with the financial performance of the Company, market trends and Industry benchmarking. On an average, employees received an annual increase of 9.93%. The individual increment varied from 8% to 12% based on individual performance	
6.	Comparison of Remuneration of the Key Managerial Personnel against the performance of the Company	The Key Managerial Personnel were paid approximately 0.65% in aggregate of the Profit Before Tax during the Financial Year 2015-16.	
7.	a) Variations in the market capitalisation of the Company	The market capitalisation as on 31st March, 2016 was Rs. 13,881 crores (Rs. 14,441 crores as on 31st March, 2015) indicating a decline of 3.88%.	
	b) Price Earnings ratio of the Company as at the closing date of current financial year and previous financial year	Price Earnings ratio of the Company was 20.47 as at 31st March, 2016 and was 17.21 as at 31st March, 2015.	
	(c) Percent increase / decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer.	The Company's stock price as at 31st March, 2016 has increased by 510.12% to Rs. 244.05 (NSE closing) over the last public offering i.e. IPO in February 2006 at the price of Rs. 200 per share (subdivision adjusted price Rs. 40).	
8.	Average percentile increase already made in the salaries of employees other than the Managerial Personnel in the last Financial Year i.e. 2015-16 and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	For employees other than Managerial Personnel who were in employment for the whole of Financial Year 2014-15 and Financial Year 2015-16, the average increase is 9.91%.  Average decrease for Managerial Personnel is 32.71%	

Sr. No.	Disclosure Requirement	Name of KMP	Designation	% to Profit Before Tax for F.Y. 2015-16
9.	Comparison of each remuneration of the Key Managerial Personnel against the performance of the Company	Mr. Ramesh Iyer	Vice-Chairman & Managing Director	0.42
		Mr. V. Ravi	Executive Director & Chief Financial Officer	0.19
		Ms. Arnavaz M. Pardiwala	Company Secretary & Compliance Officer	0.04
10.	Key parameters for any variable component of remuneration availed by the directors	The key parameters for the variable component of remuneration availed by the Directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee in accordance with the Remuneration Policy for Directors. The Performance Pay of the Managing Director is aggregate of Individual Key Result Areas and Company's Key Performance Indicators. Non-Executive Directors (NEDs) are paid commission upto 1% of the Net Profits of the Company computed as per the applicable provisions of the Companies Act, 2013 and as approved by the Shareholders in the General Meeting. The said commission is decided each year by the Board of Directors and distributed amongst the NEDs.		
11.	Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	Not Applicable		
12.	Affirmation that the remuneration is as per the Remuneration Policy of the Company.	The remuneration paid/payable is as per the Policy on Remuneration of Directors and Remuneration Policy for Key Managerial Personnel and Employees of the Company.		

**Notes:**

- 1) The remuneration calculated is as per section 2(78) of the Companies Act, 2013 and includes the perquisite value of Stock Options of the Company exercised during the year.
- 2) The calculations are based on Employees who were on the rolls of the Company for the whole of the Financial Year 2014-15 and Financial Year 2015-16.

Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer of the Company do not receive any remuneration or commission from any of the subsidiaries of the Company. However, Mr. Iyer has been granted stock options under the Employees' Stock Option Scheme of the holding Company, Mahindra & Mahindra Limited.

The Company had 19 employees who were in receipt of remuneration of not less than Rs.60 lakhs during the year ended 31st March, 2016 or not less than Rs. 5,00,000 per month during any part of the year.

A Statement giving details of employee remuneration as required under provisions of section 197 of the Companies Act, 2013 read with Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended separately and forms part of this Report. In terms of the first proviso to section 136 of the Act, the Report and Accounts are being sent to the Shareholders excluding these particulars. The details are also available at the Registered Office of the Company during working hours 21 days before the Annual General Meeting and shall be made available to any Shareholder on request. Such details are also available on your Company's website at:

<http://www.mahindrafinance.com/annual-reports.aspx>

None of the employees listed in the said Statement is a relative of any Director of the Company.

None of the employees holds either by himself/herself or along with his/her spouse or dependent children, more than two per cent of the Equity Shares of the Company.

#### **Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

Your Company is an equal opportunity employer and is committed to ensuring that the work environment at all its locations is conducive to fair, safe and harmonious relations between employees. It strongly believes in upholding the dignity of all its employees, irrespective of their gender or seniority. Discrimination and harassment of any type are strictly prohibited.

The Company has in place an appropriate Policy in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, to prevent sexual harassment of its employees.

Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

All employees (permanent, contractual, temporary and trainees) are covered under this Policy.

The Company ensures that no employee is disadvantaged by way of gender discrimination.

The following is a summary of Sexual Harassment complaints received and disposed off during the year 2015-16, pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder:

- (a) Number of complaints of Sexual Harassment received during the year – 3
- (b) Number of complaints disposed off during the year – 3
- (c) Number of cases pending for more than 90 days – 0
- (d) Number of workshops/awareness programme against sexual harassment carried out – 10 workshops were conducted. Awareness on sexual harassment was carried out in branches pan-India for all employees of the Company.
- (e) Nature of action taken by the employer or District Officer – one case was withdrawn, two warning letters have been issued by the Company.

#### **Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings and Outgo**

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under sub-section (3) (m) of section 134 of the Companies Act, 2013 read with Rule (8)(3) of the Companies (Accounts) Rules, 2014 are given as under :

##### **(A) Conservation of Energy**

- (i) The steps taken or impact on conservation of energy: The operations of your Company are not energy intensive. However, adequate measures have been initiated to reduce energy consumption. Select few steps are listed :
  - a) Installation of Solar UPS in different States.
  - b) LED Light in office in place of CFL in offices.

- c) Installation of windmills and solar panels in various offices.

- (ii) The steps taken by the Company for utilizing alternate sources of energy:

During the year the Company has spent Rs.O.11 crores towards implementing solar power system in various branches.

- (iii) The capital investment on energy conservation equipments: Nil

##### **(B) Technology Absorption**

- (i) The efforts made towards technology absorption: Not Applicable.
- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable.
- (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year): Not Applicable.
  - (a) Details of Technology Imported;
  - (b) Year of Import;
  - (c) Whether the Technology has been fully absorbed;
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof.
- (iv) Your Company has not incurred any expenditure on Research and Development during the year under review.

##### **(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

**Dhananjay Mungale**  
Chairman

Place: Mumbai  
Date : 23rd April, 2016

**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 REGULATION 34 READ WITH PARAGRAPH A OF SCHEDULE V OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.**

**Loans and advances in the nature of loans to subsidiaries:**

Name of the Company	Balance as on 31st March, 2016	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	46.56	46.56

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 at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan, pursuant to section 186 of the Companies Act, 2013.

## Annexure I to the Directors' Report for the Year ended 31st March, 2016

Annual Report on Corporate Social Responsibility Activities as prescribed under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:

### CSR Policy

At Mahindra & Mahindra Financial Services Limited (MMFSL or 'the Company') we sincerely believe that the actions of the organization and its community are highly inter-dependent. Both on its own and as part of the Mahindra Group, through constant and collaborative interactions with our external stakeholders, MMFSL strives to become an asset in the communities where it operates. As part of our Corporate Social Responsibility (CSR), we actively implement projects and initiatives for the betterment of society, communities and the environment.

The Company has already constituted a Corporate Social Responsibility Committee on 15th March, 2013 and has aligned its CSR Policy in accordance with the Companies Act, 2013 ('the Act') read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 to make it compliant with the provisions of the Act and the Rules and to undertake the admissible CSR activities notified by the Ministry of Corporate Affairs in Schedule VII to the Act.

The CSR Policy and details of the projects undertaken by the Company are available at the link <http://www.mahindrafinance.com/csr.aspx>.

2. The Composition of the CSR Committee: Mr. Piyush Mankad (Chairman), Mr. Ramesh Iyer, Mr. V. Ravi and Dr. Anish Shah.
3. Average net profit of the Company for last three Financial Years: Rs. 1,45,163.90 Lacs
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) : Rs. 2,903.28 Lacs
5. Details of CSR spent during the financial year.
  - (a) Total amount spent for the financial year; : Rs. 2,905.95 Lacs
  - (b) Amount unspent, if any; : NIL
  - (c) Manner in which the amount spent during the Financial Year is detailed below:

Statement of CSR activities and expenditure in the Financial Year 2015-16

		Rs. in Lacs					
1	2	3	4	5	6	7	8
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered [Refer Note]	Projects or programs 1) Local Area or other 2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) or programs wise	Amount spent on the project or programs Direct expenditure on programs or projects	Overheads	Amount spent : Directly or Through Implementing Agency
					Direct expenditure on programs or projects	reporting period	
1.	Supporting the PM's clean India campaign by building toilets for girls under the Swachh Bharat Swachh Vidyalaya Program and maintenance of such toilets	(i)	Mumbai, Nasik (Maharashtra)	530.00	530.00	0.00	530.00 Mahindra Foundation
2.	Organizing Blood Donation, General Health Camps, Eye Checkup Camps and Providing Medical Aid	(i)	Una (Himachal Pradesh), Vijaywada, Karimnagar, Nizamabad, Kurnool (Andhra Pradesh), Ahmedabad, Himmatnagar, Mehsana (Gujarat), Trichy, Madurai, Tirupathi (Tamil Nadu), Hissar (Haryana), Jodhpur, Kota, Jhalawar, Udaipur (Rajasthan), Guwahati (Assam), Kolkata (West Bengal), Gangtok (Sikkim), Dehradun (Uttarakhand), Ranchi (Jharkhand), Nasik, Jawhar, Mumbai, Aurangabad and Jalna (Maharashtra)	54.12	54.12	0.00	54.12 Self-Implemented and through NGOs: Chatrapati Shahu Pratishthan, Think Foundation, Rasika Ranjani Sabha



Rs. in Lacs

1	2	3	4	5	6	7	8	
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered [Refer Note]	Projects or programs 1) Local Area or other 2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) or programs wise	Amount spent on the project or programs on projects		Cumulative expenditure upto the reporting period	Amount spent : Directly or Through Implementing Agency
					Direct expenditure on projects	Overheads on projects		
3.	Promoting access to healthcare for marginalized populations by providing ambulance, medical equipments, infrastructure support for hospitals	(i)	Kolkata, Sonarpur (West Bengal), Thane (Maharashtra), Raichur, Bengaluru (Karnataka) Satna (Madhya Pradesh), Thrissur (Kerala), Ananthpur (Andhra Pradesh), Chennai (Tamil Nadu), Muzaffarpur (Bihar), Nagpur, Kolhapur, Shahapur, Mumbai (Maharashtra), Allahabad, Lucknow, (Uttar Pradesh), Malda, (West Bengal), Rajkot (Gujarat), Kullu (Himachal Pradesh), Yamunanagar, Panchkula, Faridabad (Haryana), Ranchi (Jharkhand), Jaipur (Rajasthan), Bhubaneswar (Orissa)	282.80	282.80	0.00	282.80	Think Foundation, Sri Balaji Health Care, Indian Development Foundation, Shramjeevi Gramin and Nagarabivruddi Samstha, Seva Ashram, Shri Sadguru Seva, Sangh Trust, Janakeeya Samithi, Rural Development Trust, Sri Sathya Sai Seva Organisation, Satya Manav Uthan Sansthan, Rashtrasant Tukdoji Regional Cancer Hospital & Research Centre, Chhatrapati Shahu Cancer Research foundation, Nazareth Hospital, Haiderpur Shelter of Malda, Sri Ranchhoddasji Bapu Charitable Hospital, Himalaya Nav Chetna Society, Family Planning Association of India, Liver Foundation, Sri Kanchi Kamakoti Medical Trust, Sadguru Daskishin Saibaba Mandal, Jankalyan Charitable Trust, International Association for Human Values
4.	Supporting Lifeline Express to provide on-the-spot diagnostic, surgical and other medical services to poor families in rural areas	(i)	Uttar Pradesh	69.40	69.40	0.00	69.40	Impact India Foundation
5.	Providing medical and vision correction facilities for marginalized patients	(i)	Mumbai (Maharashtra), Bengaluru (Karnataka), Jorhat (Assam)	31.27	31.27	0.00	31.27	Vision Foundation of India, Sri Kanchi Kamakoti Medical Trust, Centre for North East Studies and Policy Research
6.	Supporting education of marginalized girls through project 'Nanhi Kali'	(ii)	Mumbai (Maharashtra)	252.35	252.35	0.00	252.35	K.C. Mahindra Education Trust
7.	Educational support to schools and under-privileged students by helping them provide with quality education, uniforms, notebooks, textbooks, etc.	(ii)	Mumbai (Maharashtra) Guwahati (Assam), Muzaffarpur (Bihar), Medak & Secunderabad (Andhra Pradesh), Narasingapuram, Dindigul (Tamil Nadu), Bengaluru (Karnataka), Shillong (Meghalaya), Palanpur, Meerut (Uttar Pradesh), Bhubaneswar (Orissa), Lucknow (Uttar Pradesh), Bhopal, Jabalpur (Madhya Pradesh), Kutch (Gujarat)	57.77	57.77	0.00	57.77	Self-Implemented, Namasan keerthana, Shree Narayana Mandira Samiti, Prime Education Health Learning Services, Gosumec Alumni Association, Naandi Foundation, The Noronha Foundation, Saraswatam



Rs. in Lacs

1	2	3	4	5	6	7	8
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered [Refer Note]	Projects or programs 1) Local Area or other projects or programs were undertaken	Amount: outlay (Budget) or programs wise	Amount spent on the project or programs	Cumulative expenditure upto the reporting period	Amount spent : Directly or Through Implementing Agency
			2) Specify the state or district where projects or programs were undertaken	Direct expenditure on programs or projects	Overheads on programs or projects		
15.	Supporting social enterprises working to address problems in rural India through DST certified Incubation Centers	(ix)	Chennai (Tamil Nadu), Ahmedabad (Gujarat)	100.00	100.00	100.00	CIE (Centre for Innovation and Entrepreneurship) and Vilgro
16.	Vehicle donation for Rural Development Project	(x)	Dehradun (Uttarakhand)	5.50	5.50	5.50	The Friends of Doon Society
17.	CSR Administrative Expenses		Overheads	23.20	0.00	23.20	
	<b>Total</b>			<b>2,905.95</b>	<b>2,882.35</b>	<b>23.20</b>	<b>2,905.95</b>

Note:

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
- (ii) Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga.
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- (x) Rural development projects.

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report : Not Applicable

7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

**For Mahindra & Mahindra Financial Services Limited**

**For and on behalf of the Corporate Social Responsibility Committee of Mahindra & Mahindra Financial Services Limited**

**Ramesh Iyer**

Vice-Chairman & Managing Director

**Piyush Mankad**

Chairman

Corporate Social Responsibility Committee

Place : Mumbai

Date : 23rd April, 2016

**Annexure II to the Directors' Report for the Year ended 31st March, 2016**
**FORM NO. MGT-9**
**EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31st March, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. Registration and other details:**

CIN	L65921MH1991PLC059642
Registration Date	01/01/1991
Name of the Company	Mahindra & Mahindra Financial Services Limited
Category / Sub-Category of the Company	Public Company / Limited by Shares
Address of the Registered Office and contact details	Gateway Building, Apollo Bunder, Mumbai- 400 001. Tel. : +91 22 2289 5500; Fax : +91 22 2287 5485 Email: investorhelpline_mmfs@mahindra.com Website: www.mahindrafinance.com
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited Unit: Mahindra & Mahindra Financial Services Limited Karvy Selenium, Tower B, Plot No 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032 Email : einward.ris@karvy.com Tel. : 040-6716 2222 Fax : 040-2300 1153 Toll Free No. : 1800 345 4001

**II. Principal Business Activities of the Company**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the product/ service	% to total turnover of the Company
1.	Asset Financing	64990	91.52%

**III. Particulars of Holding, Subsidiary and Associate Companies**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001.	L65990MH1945PLC004558	Holding Company	51.20%	Section 2(46)
2.	Mahindra Insurance Brokers Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U65990MH1987PLC042609	Subsidiary Company	85.00%	Section 2(87)(ii)
3.	Mahindra Rural Housing Finance Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U65922MH2007PLC169791	Subsidiary Company	87.50%	Section 2(87)(ii)

### III. Particulars of Holding, Subsidiary and Associate Companies (Contd.)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
4.	Mahindra Asset Management Company Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U65900MH2013PTC244758	Subsidiary Company	100.00%	Section 2(87)(ii)
5.	Mahindra Trustee Company Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U67100MH2013PTC245464	Subsidiary Company	100.00%	Section 2(87)(ii)
6.	Mahindra Finance USA LLC Corporate Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808.	-	Associate Company	49.00%	Section 2(6)

### IV. Share Holding Pattern (Equity Share Capital Breakup as Percentage of Total Equity)

#### i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1st April, 2015)				No. of Shares held at the end of the year (As on 31st March, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	0	0	0	0.00	0	0	0	0.00	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corporate	29,12,07,660	0	29,12,07,660	51.20	29,12,07,660	0	29,12,07,660	51.20	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other (MMFSL ESOP Trust)	46,24,289	0	46,24,289	0.81	41,63,582	0	41,63,582	0.73	-0.08
<b>Sub-total (A) (1)</b>	<b>29,58,31,949</b>	<b>0</b>	<b>29,58,31,949</b>	<b>52.01</b>	<b>29,53,71,242</b>	<b>0</b>	<b>29,53,71,242</b>	<b>51.93</b>	<b>- 0.08</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>29,58,31,949</b>	<b>0</b>	<b>29,58,31,949</b>	<b>52.01</b>	<b>29,53,71,242</b>	<b>0</b>	<b>29,53,71,242</b>	<b>51.93</b>	<b>- 0.08</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	1,66,12,539	0	1,66,12,539	2.92	4,41,36,968	0	4,41,36,968	7.76	4.84
b) Banks / FI	24,34,325	0	24,34,325	0.43	63,30,301	0	63,30,301	1.11	0.68
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	18,55,000	0	18,55,000	0.33	18,55,000	0	18,55,000	0.33	0.00
f) Insurance Companies	18,00,208	0	18,00,208	0.32	20,28,550	0	20,28,550	0.36	0.04
g) FIs	21,69,75,286	0	21,69,75,286	38.15	19,14,64,366	0	19,14,64,366	33.66	- 4.49

**i) Category-wise Shareholding (Contd.)**

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1st April, 2015)				No. of Shares held at the end of the year (As on 31st March, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (B)(1)</b>	<b>23,96,77,358</b>	<b>0</b>	<b>23,96,77,358</b>	<b>42.14</b>	<b>24,58,15,185</b>	<b>0</b>	<b>24,58,15,185</b>	<b>43.22</b>	<b>1.08</b>
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	60,46,964	4,22,490	64,69,454	1.14	42,44,560	1,72,490	44,17,050	0.78	-0.36
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
	1,62,84,532	5,82,545	1,68,67,077	2.97	1,40,45,977	5,02,360	1,45,48,337	2.56	-0.41
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh									
	63,30,508	6,18,115	69,48,623	1.22	57,07,629	2,85,710	59,93,339	1.05	-0.17
c) Others (specify)									
Clearing Members	12,96,242	0	12,96,242	0.23	6,29,580	0	6,29,580	0.11	-0.12
Non Resident Indians	8,11,546	0	8,11,546	0.14	11,30,036	0	11,30,036	0.20	0.06
Trusts	8,62,711	0	8,62,711	0.15	8,60,191	0	8,60,191	0.15	0.00
d) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (B)(2)</b>	<b>3,16,32,503</b>	<b>16,23,150</b>	<b>3,32,55,653</b>	<b>5.85</b>	<b>2,66,17,973</b>	<b>9,60,560</b>	<b>2,75,78,533</b>	<b>4.85</b>	<b>-1.00</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>27,13,09,861</b>	<b>16,23,150</b>	<b>27,29,33,011</b>	<b>47.99</b>	<b>27,24,33,158</b>	<b>9,60,560</b>	<b>27,33,93,718</b>	<b>48.07</b>	<b>0.08</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0.00	0	0	0	0.00	0.00
<b>Grand Total (A+B+C)</b>	<b>56,71,41,810</b>	<b>16,23,150</b>	<b>56,87,64,960</b>	<b>100.00</b>	<b>56,78,04,400</b>	<b>9,60,560</b>	<b>56,87,64,960</b>	<b>100.00</b>	<b>0.00</b>

**(ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	No. of Shares held at the beginning of the year (As on 1st April, 2015)			No. of Shares held at the end of the year (As on 31st March, 2016)			% change in share holding during the year
		No. of Shares	% of Total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra & Mahindra Limited	29,12,07,660	51.20	0	29,12,07,660	51.20	0	0.00
2.	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust	46,24,289	0.81	0	41,63,582	0.73	0	-0.08
<b>Total</b>		<b>29,58,31,949</b>	<b>52.01</b>	<b>0</b>	<b>29,53,71,242</b>	<b>51.93</b>	<b>0</b>	<b>-0.08</b>

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No.	Shareholding at the beginning of the year (As on 1st April, 2015)		No. of Shares held at the end of the year (As on 31st March, 2016)		
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	
1.	Mahindra & Mahindra Limited				
	At the beginning of the year	29,12,07,660	51.20	29,12,07,660	51.20
	Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer /bonus/ sweat equity etc):	-	-	-	-
	At the end of the year	29,12,07,660	51.20	29,12,07,660	51.20
2.	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust				
	At the beginning of the year	46,24,289	0.81	46,24,289	0.81
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc.)*	-4,60,707	-0.08	41,63,582	0.73
	At the End of the year	41,63,582	0.73	41,63,582	0.73

Note :

- There is no change in the total shareholding of the Promoter viz. Mahindra & Mahindra Limited from 1st April, 2015 to 31st March, 2016.
- \* The decrease in total shares held by the Trust from 46,24,289 shares to 41,63,582 shares is due to ESOP allotment of 4,60,707 shares during the year.

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	For Each of the Top 10 Shareholders	Shareholding				Reason	Cumulative Shareholding during the year	
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@	Increase / Decrease in Shareholding		No. of shares	% of total shares of the Company
1	Government of Singapore*	51,40,094	0.90	01-04-2015			51,40,094	0.90
				10-04-2015	40,454		51,80,548	0.91
				24-04-2015	-3,424		51,77,124	0.91
				01-05-2015	-11,56,052		40,21,072	0.71
				08-05-2015	-81,344		39,39,728	0.69
				15-05-2015	-3,47,785		35,91,943	0.63
				05-06-2015	10,812		36,02,755	0.63
				12-06-2015	-5,654		35,97,101	0.63
				03-07-2015	1,02,960	Market Purchase & Sale	37,00,061	0.65
				10-07-2015	66,827		37,66,888	0.66
				31-07-2015	40,477		38,07,365	0.67
				07-08-2015	1,00,336		39,07,701	0.69
				21-08-2015	-12,653		38,95,048	0.68
				28-08-2015	2,04,924		40,99,972	0.72
				04-09-2015	2,98,580		43,98,552	0.77
				11-09-2015	-1,20,361		42,78,191	0.75
				02-10-2015	56,881		43,35,072	0.76
				09-10-2015	1,93,627		45,28,699	0.80
				23-10-2015	-4,245	45,24,454	0.80	

Sl. No.	For Each of the Top 10 Shareholders	Shareholding			Reason	Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@		Increase / Decrease in Shareholding	No. of shares	% of total shares of the Company
				30-10-2015	-61,493		44,62,961	0.78
				06-11-2015	-9,412		44,53,549	0.78
				13-11-2015	-45,084		44,08,465	0.78
				20-11-2015	-6,712		44,01,753	0.77
				04-12-2015	-1,21,411		42,80,342	0.75
				11-12-2015	-18,579		42,61,763	0.75
				31-12-2015	-20,856	Market Purchase & Sale	42,40,907	0.75
				08-01-2016	71,302		43,12,209	0.76
				15-01-2016	-4,097		43,08,112	0.76
				29-01-2016	1,41,538		44,49,650	0.78
				05-02-2016	3,00,333		47,49,983	0.84
				12-02-2016	73,829		48,23,812	0.85
				04-03-2016	1,03,706		49,27,518	0.87
				11-03-2016	-2,447	49,25,071	0.87	
		48,33,943	0.85	31-03-2016	-91,128		48,33,943	0.85
2.	JP Morgan Sicav Investment Company (Mauritius) Limited	63,65,923	1.12	01-04-2015			63,65,923	1.12
				12-02-2016	-4,50,822	Market Sale	59,15,101	1.04
				19-02-2016	-3,65,398		55,49,703	0.98
		55,49,703	0.98	31-03-2016			55,49,703	0.98
3.	JP Morgan India Fund*	45,24,009	0.80	01-04-2015			45,24,009	0.80
				10-04-2015	5,80,000	Market Purchase & Sale	51,04,009	0.90
				04-09-2015	-1,10,000		49,94,009	0.88
		49,94,009	0.88	31-03-2016			49,94,009	0.88
4.	Bank of Muscat A O G A/C Bank Muscat India Fund	53,80,135	0.95	01-04-2015		No Change in the Shareholding during the year	53,80,135	0.95
5.	Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Fund*	47,97,860	0.84	01-04-2015			47,97,860	0.84
				01-05-2015	3,630		48,01,490	0.84
				08-05-2015	4,125		48,05,615	0.84
				24-07-2015	77,675		48,83,290	0.86
				14-08-2015	-4,125		48,79,165	0.86
				21-08-2015	-9,900		48,69,265	0.86
				28-08-2015	-19,305		48,49,960	0.85
				04-09-2015	-26,400		48,23,560	0.85
				11-09-2015	-13,860		48,09,700	0.85
				20-11-2015	-30,911		47,78,789	0.84
				27-11-2015	-7,213		47,71,576	0.84
				18-12-2015	-22,212	Market Sale & Purchase	47,49,364	0.84
				25-12-2015	-10,674		47,38,690	0.83
				15-01-2016	-30,037		47,08,653	0.83
				22-01-2016	-15,840		46,92,813	0.83
				05-02-2016	-55,590		46,37,223	0.82
				12-02-2016	-21,595		46,15,628	0.81
				26-02-2016	-8,451		46,07,177	0.81
				04-03-2016	-9,116	45,98,061	0.81	
				11-03-2016	11,820	46,09,881	0.81	
				18-03-2016	-35,671	45,74,210	0.80	
				25-03-2016	-53,384	45,20,826	0.79	
		45,20,826	0.79	31-03-2016			45,20,826	0.79



Sl. No.	For Each of the Top 10 Shareholders	Shareholding				Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@	Increase / Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
6.	Franklin Templeton Investment Funds	1,47,71,995	2.60	01-04-2015			1,47,71,995	2.60
				10-04-2015	60,514		1,48,32,509	2.61
				20-11-2015	13,500		1,48,46,009	2.61
				04-12-2015	5,86,500	Market Purchase	1,54,32,509	2.71
				18-12-2015	38,545		1,54,71,054	2.72
		1,54,71,054	2.72	31-03-2016		1,54,71,054	2.72	
7.	Stichting Pensioenfonds ABP*	47,26,799	0.83	01-04-2015			47,26,799	0.83
				12-06-2015	94,826		48,21,625	0.85
				17-07-2015	22,525	Market Sale	48,44,150	0.85
				07-08-2015	67,006	& Purchase	49,11,156	0.86
				21-08-2015	-49,11,156		0	0
		0	0.00	31-03-2016		0	0.00	
8.	FIL Investment (Mauritius) Ltd	52,23,616	0.92	01-04-2015		No Change in the Shareholding during the year	52,23,616	0.92
9.	Fidelity Funds Emerging Markets Fund*	72,38,417	1.27	01-04-2015			72,38,417	1.27
				10-04-2015	3,31,988		75,70,405	1.33
				17-04-2015	2,12,643		77,83,048	1.37
				01-05-2015	-2,84,310		74,98,738	1.32
				15-05-2015	-3,21,092		71,77,646	1.26
				22-05-2015	-7,61,484	Market Sale	64,16,162	1.13
				29-05-2015	-2,55,049	& Purchase	61,61,113	1.08
				05-06-2015	-5,32,338		56,28,775	0.99
				12-06-2015	-7,60,882		48,67,893	0.86
				19-06-2015	-13,50,892		35,17,001	0.62
				26-06-2015	-7,07,784		28,09,217	0.49
				10-07-2015	12,89,217		40,98,434	0.72
				17-07-2015	2,81,126		43,79,560	0.77
				24-07-2015	1,82,389		45,61,949	0.80
				31-07-2015	3,82,483		49,44,432	0.87
				21-08-2015	1,79,765		51,24,197	0.90
				28-08-2015	95,574		52,19,771	0.92
				04-09-2015	1,55,380		53,75,151	0.95
				11-09-2015	-1,15,055		52,60,096	0.92
				18-09-2015	-2,69,311		49,90,785	0.88
		25-09-2015	-4,59,768		45,31,017	0.80		
		30-09-2015	-5,20,734		40,10,283	0.71		
		16-10-2015	-4,87,079		35,23,204	0.62		
		23-10-2015	-12,01,409		23,21,795	0.41		
		30-10-2015	-11,17,855		12,03,940	0.21		
		06-11-2015	-3,55,837		8,48,103	0.15		
		13-11-2015	-4,02,774		4,45,329	0.08		
		20-11-2015	-4,45,329		0	0		
		0	0.00	31-03-2016		0	0.00	
10.	Aranda Investments (Mauritius) Pte. Ltd.	2,15,84,290	3.79	01-04-2015			2,15,84,290	3.79
				04-09-2015	-59,24,900	Market Sale	1,56,59,390	2.75
				11-09-2015	-15,00,000		1,41,59,390	2.49
		1,41,59,390	2.49	31-03-2016			1,41,59,390	2.49

Sl. No.	For Each of the Top 10 Shareholders	Shareholding			Reason	Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@		Increase / Decrease in Shareholding	No. of shares	% of total shares of the Company
11.	Amansa Holdings Private Limited#	42,83,579	0.75	01-04-2015			42,83,579	0.75
				10-04-2015		12,07,038	54,90,617	0.97
				17-04-2015		2,50,000	57,40,617	1.01
				24-04-2015		2,60,000	60,00,617	1.06
				01-05-2015		5,00,000	65,00,617	1.14
				29-05-2015		72,697	65,73,314	1.16
				05-06-2015		5,70,356	71,43,670	1.26
				12-06-2015		4,49,643	75,93,313	1.34
				19-06-2015		9,48,043	85,41,356	1.50
				28-08-2015		5,44,662	90,86,018	1.60
				04-09-2015		1,00,000	91,86,018	1.62
				11-09-2015		14,62,925	1,06,48,943	1.87
				18-09-2015	Market Sale & Purchase	65,849	1,07,14,792	1.88
				25-09-2015		2,39,262	1,09,54,054	1.93
				30-09-2015		7,50,000	1,17,04,054	2.06
				02-10-2015		2,58,472	1,19,62,526	2.10
				09-10-2015		23,00,000	1,42,62,526	2.51
				23-10-2015		2,88,373	1,45,50,899	2.56
				06-11-2015		9,73,247	1,55,24,146	2.73
				22-01-2016		64,277	1,55,88,423	2.74
				29-01-2016		12,85,339	1,68,73,762	2.97
				19-02-2016		72,997	1,69,46,759	2.98
				11-03-2016		-1,93,290	1,67,53,469	2.95
				18-03-2016		-16,45,007	1,51,08,462	2.66
		1,51,08,462	2.66	31-03-2016			1,51,08,462	2.66
12.	UTH-MID CAP Fund#	29,79,912	0.52	01-04-2015			29,79,912	0.52
				10-04-2015		7,911	29,87,823	0.53
				24-07-2015		80,000	30,67,823	0.54
				31-07-2015		40,000	31,07,823	0.55
				07-08-2015		21,661	31,29,484	0.55
				28-08-2015		80,438	32,09,922	0.56
				04-09-2015		15,990	32,25,912	0.57
				11-09-2015		8,98,755	41,24,667	0.73
				30-09-2015	Market Purchase	762	41,25,429	0.73
				09-10-2015		2,05,000	43,30,429	0.76
				30-10-2015		44,493	43,74,922	0.77
				06-11-2015		80,698	44,55,620	0.78
				13-11-2015		936	44,56,556	0.78
				26-02-2016		4,00,000	48,56,556	0.85
				18-03-2016		3,02,632	51,59,188	0.91
		51,59,188	0.91	31-03-2016			51,59,188	0.91

Sl. No.	For Each of the Top 10 Shareholders	Shareholding				Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@	Increase / Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
13.	Life Insurance Corporation of India#	17,91,998	0.32	01-04-2015			17,91,998	0.32
				19-06-2015	5,99,256		23,91,254	0.42
				26-06-2015	65,805		24,57,059	0.43
				30-09-2015	2,00,018		26,57,077	0.47
				02-10-2015	2,67,220	Market	29,24,297	0.51
				09-10-2015	10,05,090	Purchase	39,29,387	0.69
				16-10-2015	9,54,270		48,83,657	0.86
				23-10-2015	5,73,810		54,57,467	0.96
				30-10-2015	5,44,015		60,01,482	1.06
				60,01,482	1.06	31-03-2016		60,01,482
14.	Stichting Depository APG Emerging Markets Equity Pool#	0	0.00	01-04-2015			0	0.00
				21-08-2015	49,11,156	Market	49,11,156	0.86
				04-03-2016	1,29,732	Purchase	50,40,888	0.89
		50,40,888	0.89	31-03-2016		50,40,888	0.89	
15.	ICICI Prudential Balanced Advantage Fund#	0	0.00	01-04-2015			0	0.00
				03-07-2015	56,822		56,822	0.01
				31-07-2015	13,94,982		14,51,804	0.26
				07-08-2015	4,20,162		18,71,966	0.33
				28-08-2015	3,72,498		22,44,464	0.39
				11-09-2015	5,42,224		27,86,688	0.49
				30-09-2015	1,46,220		29,32,908	0.52
				30-10-2015	7,85,707	Market	37,18,615	0.65
				13-11-2015	2,50,409	Purchase	39,69,024	0.70
				20-11-2015	58,000		40,27,024	0.71
				11-12-2015	1,73,510		42,00,534	0.74
				18-12-2015	3,40,261		45,40,795	0.80
				22-01-2016	4,93,889		50,34,684	0.89
		29-01-2016	6,17,044		56,51,728	0.99		
		05-02-2016	6,27,505		62,79,233	1.10		
		62,79,233	1.10	31-03-2016		62,79,233	1.10	

@ Based on the beneficiary position as at the end of each week.

\* Ceased to be in the list of Top 10 Shareholders as on 31-03-2016. The same is reflected above since the Shareholder was one of the Top 10 Shareholders as on 01-04-2015.

# Not in the list of Top 10 Shareholders as on 01-04-2015. The same has been reflected above since the Shareholder was one of the Top 10 Shareholders as on 31-03-2016.

**(v) Shareholding of Directors and Key Managerial Personnel**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year			Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	No. of shares				% of total shares of the Company	
<b>A. Directors</b>									
1.	Mr. Bharat Doshi Former Chairman (Ceased to be Director w.e.f. 9th March, 2016)	6,42,720	0.11	01-04-2015	0	No Change in the Shareholding till 9th March, 2016	6,42,720	0.11	
2.	Mr. Dhananjay Mungale Chairman and Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
3.	Mr. Ramesh Iyer, Vice-Chairman & Managing Director	5,96,350	0.10	01-04-2015	40,030	ESOP Allotment	5,96,350	0.10	
		6,36,380	0.11	25-09-2015			6,36,380	0.11	
4.	Mr. Uday Y. Phadke Non-Executive Non-Independent Director (Ceased to be Director w.e.f. 24th July, 2015)	80,505	0.01	01-04-2015	0	No Change in the Shareholding till 24th July, 2015	80,505	0.01	
		50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
5.	Mr. M. G. Bhide Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
6.	Mr. Piyush Mankad Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
7.	Mr. C. B. Bhawe Independent Director	0	0.00	01-04-2015	0	No Change in the Shareholding during the year	0	0.00	
8.	Ms. Rama Bijapurkar Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
9.	Mr. V. S. Parthasarathy Non-Executive Non-Independent Director	250	0.00	01-04-2015	0	No Change in the Shareholding during the year	250	0.00	
10.	Dr. Anish Shah (appointed as Additional Director w.e.f. 18th March, 2016)	0	0.00	18-03-2016	0	No Change in the Shareholding during the year	0	0.00	
11.	Mr. V. Ravi Executive Director & Chief Financial Officer (appointed as Executive Director w.e.f. 25th July, 2015)	4,63,285	0.08	01-04-2015	15,565	ESOP Allotment	4,63,285	0.08	
		4,78,850	0.08	22-05-2015			4,78,850	0.08	
12.	Ms. Arnavaz M. Pardiwala Company Secretary & Compliance Officer	4,935	0.00	01-04-2015	1,645	ESOP Allotment	4,935	0.00	
		6,580	0.00	22-05-2015			6,580	0.00	
		6,580	0.00	31-03-2016			6,580	0.00	

## V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount Rs. in lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year (01.04.2015)</b>				
i) Principal Amount	16,98,321.70	4,59,985.00	4,68,023.39	26,26,330.09
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	23,196.79	4,933.50	31,180.70	59,310.99
<b>Total (i+ii+iii)</b>	<b>17,21,518.49</b>	<b>4,64,918.50</b>	<b>4,99,204.09</b>	<b>26,85,641.08</b>
<b>Change in Indebtedness during the financial year- Principal Amount</b>				
Addition	17,30,516.77	49,68,200.00	1,54,552.07	68,53,268.85
Reduction	13,97,590.12	49,92,850.00	1,44,149.11	65,34,589.23
Exchange Difference	220.87	0.00	0.00	220.87
Net Change	3,33,147.52	-24,650.00	10,402.96	3,18,900.49
<b>Change in Indebtedness during the financial year- Interest accrued but not due</b>				
Addition	48,379.44	5,930.43	35,249.54	89,559.41
Reduction	23,196.79	4,933.50	31,180.70	59,310.99
Net Change	25,182.64	996.94	4,068.84	30,248.42
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	20,31,469.23	4,35,335.00	4,78,426.35	29,45,230.58
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	48,379.44	5,930.43	35,249.54	89,559.41
<b>Total (i+ii+iii)</b>	<b>20,79,848.67</b>	<b>4,41,265.43</b>	<b>5,13,675.89</b>	<b>30,34,789.99</b>

## VI. Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Directors and / or Manager

(Amount Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD		Total Amount
		Mr. Ramesh Iyer Managing Director	Mr. V. Ravi Whole-time Director	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	246.69	158.45	405.14
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	9.91	2.56	12.47
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	0	0	0
2.	Stock Option*	105.70	40.77	146.47
3.	Sweat Equity	0	0	0
4.	Commission			
	- as % of profit	-	-	-
	- others	73.83	0	73.83
5.	Others (Retirals)	8.69	5.32	14.01
	<b>Total (A)</b>	<b>444.82</b>	<b>207.10</b>	<b>651.92</b>
	<b>Ceiling as per the Act</b>			<b>14,986.88</b>

(being 10% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013)

\* The amount indicates perquisite value of Stock Options of the Company exercised during the year.

**B. Remuneration to Other Directors:**
**Independent Directors**

(Amount Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount
		Mr. M. G. Bhide	Mr. Dhananjay Mungale	Mr. Piyush Mankad	Mr. C. B. Bhawe	Ms. Rama Bijapurkar	
1.	Fee for attending Board / Committee Meetings	7.90	6.10	7.20	5.80	5.70	32.70
2.	Commission	16.00	16.00	16.00	2.34	15.00	65.34
3.	Others	NIL	NIL	NIL	NIL	NIL	
	<b>Total (1)</b>	<b>23.90</b>	<b>22.10</b>	<b>23.20</b>	<b>8.14</b>	<b>20.70</b>	<b>98.04</b>

**Non-Executive Non-Independent Directors**

(Amount Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. Bharat Doshi#	Mr. Uday Y. Phadke@	Mr. V. S. Parthasarathy\$	Dr. Anish Shah\$	
1.	Fee for attending Board / Committee Meetings	5.60	NIL	NIL	NIL	5.60
2.	Commission	45.00	NIL	NIL	NIL	45.00
3.	Others	NIL	NIL	NIL	NIL	
	<b>Total (2)</b>	<b>50.60</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>50.60</b>
	<b>Total (B)=(1+2)</b>					<b>148.64</b>
	<b>Total Managerial Remuneration (A+B)</b>					<b>800.56</b>
	<b>Overall Ceiling as per the Act</b>					<b>1,498.69</b>
		(being 1% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013)				

# Ceased to be Director w.e.f. 9th March, 2016.

@ Ceased to be Director w.e.f. 24th July, 2015.

\$ Mr. V. S. Parthasarathy and Dr. Anish Shah do not receive any remuneration from the Company.

**C. Remuneration to Key Managerial Personnel other than Managing Director / Manager/Whole-time Director**
**Remuneration to Ms. Arnavaz M. Pardiwala, Company Secretary**

Sl. No.	Particulars of Remuneration	Amount Rs. in Lacs
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	38.68
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.85
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	0
2.	Stock Option*	4.31
3.	Sweat Equity	0
4.	Commission	
	- as % of profit	0
	- others	0
5.	Others (Retirals)	2.22
	<b>Total (A)</b>	<b>46.06</b>

\* The amount indicates perquisite value of Stock Options of the Company exercised during the year.

## VII. Penalties / Punishment/ Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty					
Punishment			None		
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			None		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment			None		
Compounding					

For and on behalf of the Board

**Dhananjay Mungale**  
Chairman

Place: Mumbai  
Date : 23rd April, 2016

## Annexure III - A to the Directors' Report for the Year ended 31st March, 2016

### The Policy on Remuneration of Directors

#### Prelude

The Company is a non-banking financial company registered with the Reserve Bank of India, and is engaged in providing financing for new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles, providing personal loans, finance to small and medium enterprises and mutual fund distribution services.

This Policy shall be effective from the financial year 2014 - 15.

#### Intent of the Policy

The intent of the Remuneration Policy of Directors of Mahindra & Mahindra Financial Services Limited ("the Company") is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors for achieving objectives of the Company and to place the Company in a leading position.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy ensure that

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the company successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

While deciding the policy on remuneration of Directors, the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, the Listing Agreement, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company, etc. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act, 2013 and principles

pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

#### Directors

The Managing Director is an executive of the Company and draws remuneration from the Company. The Non-Executive Chairman and Independent Directors receive sitting fees for attending the meeting of the Board and the Committees thereof, as fixed by the Board of Directors from time to time, subject to statutory provisions. The Non-Executive Chairman and Independent Directors would be entitled to the remuneration under the Companies Act, 2013. Other Non-Executive Non-Independent Directors who receive remuneration from the holding company or a Group Company are not paid any sitting fees or any remuneration. In addition to the above, the Directors are entitled for reimbursement of expenses incurred in discharge of their duties.

Pursuant to the Employees Stock Option Scheme 2005 (ESOS 2005) the Company has granted Stock Options to Directors including Independent Directors. The Company has also granted Stock Options to the Managing Director and Non-Executive Non-Independent Director(s) pursuant to the Employees Stock Option Scheme 2010 (ESOS 2010). The vesting and exercise of these Options shall continue to be governed by ESOS 2005 and ESOS 2010 respectively and the terms of grant. However, as per Section 149(9) of the Companies Act, 2013, henceforth the Independent Directors will not be entitled to fresh grant of any Stock Options.

The NRC while determining the remuneration shall ensure that the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall also ensure a balance between fixed and performance-linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The NRC shall consider that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.



### Managing Director/Executive Directors

The term of office and remuneration of Managing Director/Executive Directors are subject to the approval of the Board of Directors, Shareholders, and Central Government, as may be required and the limits laid down under the Companies Act, 2013 from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Managing Director/Executive Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Managing Director/Executive Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration of the Managing Director/Executive Directors reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Managing Director/Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration for Managing Director/Executive Director is designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly. The remuneration to the Managing Director/Executive Director comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Superannuation, Gratuity, Leave Encashment, etc., as per Rules of the Company. Salary is paid within the range approved by the Shareholders. Increments are effective annually, as recommended/ approved by the NRC/Board.

The total remuneration will have a flexible component with a bouquet of allowances to enable the Managing Director/Executive Director to choose the allowances as well as the quantum, based on laid down limits as per Company policy. The flexible component can be varied only once annually.

The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance

is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal to arrive at the BSC rating of the business and performance rating of the individual.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Executive Directors are entitled to customary non-monetary benefits such as company cars, health care benefits, communication facilities, etc., as per policies of the Company. The Managing Director and Executive Directors are entitled to grant of Stock Options as per the approved Stock Option Schemes of the Company from time to time.

### Non-Executive Directors

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval, the Commission is paid at a rate not exceeding 1% (one percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013. The distribution of Commission amongst the NEDs shall be placed before the Board.

At present, the Company pays sitting fees to the NEDs for attending the meetings of the Board and the Committees constituted by the Board from time to time.

### Disclosures

Information on the total remuneration of members of the Company's Board of Directors, Managing Director/Executive Directors and Key Managerial Personnel/Senior Management Personnel may be disclosed in the Board's Report and the Company's Annual Report / Website as per statutory requirements laid down in this regard.

For and on behalf of the Board

**Dhananjay Mungale**  
Chairman

Place: Mumbai  
Date : 23rd April, 2016

**Annexure III - B to the Directors' Report for the Year ended 31st March, 2016**

**Remuneration Policy for Key Managerial Personnel and Employees**

This Policy shall be effective from the financial year 2014 - 15.

**Objective**

To establish guidelines for remunerating employees fairly and in keeping with Statutes.

**Definition(s)**

"Key Managerial Personnel" (KMP) as defined in section 2(51) of the Companies Act, 2013 means:

- (i) the Chief Executive Officer or the Managing Director or Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed.

**Standards**

The broad structure of compensation payable to employees is under:

- ◆ Fixed pay which has components like basic salary & other allowances/ flexi pay as per the grade where the employees can chose allowances from bouquet of options.
- ◆ Variable pay (to certain grades) in the form of annual/ half yearly performance pay based on KRA's agreed.

◆ Incentives either monthly or quarterly based on targets in the lower grades.

◆ Retirals such as PF, Gratuity & superannuation (for certain grades)

◆ Benefits such as car scheme, medical & dental benefit, loans, insurance, etc; as per grades.

**Increments**

◆ Salary increase is given to eligible employees based on position, performance and market dynamics as decided from time to time.

In case the performance of the Company exceeds the budgeted performance, the Company declares an additional ex-gratia bonus or a reward to its employees, at its discretion.

For and on behalf of the Board

**Dhananjay Mungale**  
Chairman

Place: Mumbai  
Date : 23rd April, 2016

## Annexure IV to the Directors' Report for the Year ended 31st March, 2016

### Form No. MR-3

#### SECRETARIAL AUDIT REPORT

(Pursuant to Section 204(1) of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014  
For the Financial Year ended 31st March, 2016

To,  
The Members  
**Mahindra & Mahindra Financial Services Limited**  
Gateway Building, Apollo Bunder,  
Mumbai-400 001.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra & Mahindra Financial Services Limited (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on 31st March, 2016 in a manner that provided us reasonable basis for evaluating the corporate conduct/statutory compliances and expressing our opinion thereon.

On the basis of the above and on our verification of documents, books, papers, minutes, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of the Audit, We hereby report that in our opinion, the Company has, during the period covered under the Audit as aforesaid, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 and the Rules made there under and the Companies Act, 1956 and the Rules made there under to the extent applicable.
- (ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder.
- (iii) The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder.
- (iv) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- (v) The following Regulations and Guidelines prescribed under Securities and Exchange Board of India Act, 1992:
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
  - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
  - f. The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client.
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.
  - h. The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998.
  - i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vi) The following laws, regulations, directions, orders applicable specifically to the Company:
  - a. The Reserve Bank of India Act, 1934.
  - b. Non-Banking Financial Companies (Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007.
  - c. Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
  - d. Non-Banking Financial Companies (Opening of Branch/Subsidiary/Joint Venture/Representative Office or Undertaking Investment Abroad by NBFCs) Directions, 2011.
  - e. Online Returns to be submitted by NBFCs - RBI Guidelines.
  - f. Raising money through Private Placement of NCDs by NBFC - RBI Guidelines.
  - g. Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 & 2 issued by The Institute of Company Secretaries of India.
- (ii) Listing Agreement for equity and debt securities entered into with BSE Limited and Listing Agreement for equity shares entered into with National Stock Exchange of India Limited.

On the basis of the information and explanation provided, the Company had no transaction during the period under Audit requiring the compliance of the applicable provisions of the Act / Regulations / Directions as mentioned above in respect of:

- a) Foreign Direct Investment, External Commercial Borrowings and Overseas Direct Investment, except the investment in Mahindra Finance USA LLC, a Joint Venture Company.
- b) Delisting of equity shares.
- c) Buy-back of securities.

**We further report that:**

The Board of Directors of the Company is duly constituted with the proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period covered under the Audit were carried out in compliance with the provisions of the Act.

Adequate notice and detailed notes on Agenda was given to all Directors at least seven days in advance to schedule the Board Meetings. There exist a system for seeking and obtaining further information and clarifications on the Agenda items before the Meeting and for meaningful participation at the Meeting.

Majority decision is carried through and recorded as part of the minutes. We did not find any dissenting directors' views in the minutes.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the period covered under the Audit, the Company has made the following specific actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, referred to above:

- a) The Members have approved an increase in the Borrowing Powers of the Company from Rs. 45,000 crores to Rs.50,000 Crores, which is over and above the aggregate paid-up share capital and free reserves pursuant to Section 180(1)(c) of the Companies Act, 2013, through a Postal ballot resolution passed on 17th June, 2015. The Members have approved the issue of Non-Convertible Debentures and/or other Debt securities in one or more tranches aggregating upto Rs. 21,000 crores on a Private Placement basis.
- b) The Company has raised a total sum of Rs. 6,253 crores pursuant to Private Placement of Non-Convertible Debentures and Subordinated debt issues.

For KSR & Co Company Secretaries LLP

Date:23/04/2016  
Place: Coimbatore

**Dr. K.S.Ravichandran**  
Managing Partner  
(FCS: 3675; CP: 2160)

To,  
The Members  
**Mahindra & Mahindra Financial Services Limited**  
Gateway Building, Apollo Bunder,  
Mumbai-400 001.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
5. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For KSR & Co Company Secretaries LLP

Date:23/04/2016  
Place: Coimbatore

**Dr. K.S.Ravichandran**  
Managing Partner  
(FCS: 3675; CP: 2160)

# Management Discussion & Analysis

## Global Economy

During 2015-16, global economic growth continued at a slow pace leaving the world economy more exposed to risks. Some of the factors for the lacklustre growth include a sharper-than-expected slowdown in China; return of financial turmoil in emerging markets; waning political solidarity in Europe and a persistent slump in oil prices. Global economic activity was muted with diminished growth in emerging markets for a fifth

straight year even as an uncertain recovery continued in developed countries. The Eurozone's economic recovery continued although overall growth remained subdued. Solid domestic data continued to drive the recovery while the external sector dragged on the economy's performance. The Japanese economy is struggling for growth against structural headwinds including a declining and aging population, weakening productivity, low return on capital, and high debt levels.

## Global Growth

[%]

Particulars	Projections			
	2014	2015	2016	2017
World Output	3.4	3.1	3.2	3.5
Advanced Economies	1.8	1.9	1.9	2.0
United States	2.4	2.4	2.4	2.5
Euro Area	0.9	1.6	1.5	1.6
Japan	0.0	0.5	0.5	-0.1
United Kingdom	2.9	2.2	1.9	2.2
Other Advanced Economies *	2.8	2.0	2.1	2.4
Emerging and Developing Economies	4.6	4.0	4.1	4.6
China	7.3	6.9	6.5	6.2

\*Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom and United States) and euro area countries.

Source: International Monetary Fund (IMF)

## Indian Economy

In 2015-16, the Indian economy emerged as one of the few large economies with an encouraging outlook. The factors contributing to this positive outlook were controlled inflation, rise in domestic demand, increase in investments, decline in oil prices and the boost to reforms, among others. According to the IMF, India is set to become the world's fastest-growing major economy by 2016, ahead of China.

The economic fundamentals are showing healthy trends, which corroborates the expected growth in the economy. Inflation has been largely tamed. The investment cycle in India is showing positive growth and expenditure on consumption is increasing, although in a fluctuating trend. This growth is likely to be sustainable considering government's focus on industrial activities, infrastructure development and ease of doing business.

Budget 2016 is a good indicator of the government's intentions and plans. With the global economy fraught with uncertainties, it is commendable that the Indian Government is sticking to its fiscal deficit target while pursuing the growth agenda. Government targets to narrow the central fiscal deficit to 3.5% in 2016-17, after

having comfortably met its 3.9% target for 2015-16. While public investment and urban consumption were the major drivers for growth last fiscal year, a reinforcement of private investment and rural consumption is critical if growth is to remain strong in 2016-17 and 2017-18.

## Indian Financial Services Industry

According to India Brand Equity Foundation, gross national savings in India are expected to reach \$ 1,272 billion by the end of 2019. This in turn will trigger further savings and investments in Indian households, leading to their greater engagement.

Technology in financial services industry is getting dramatically transformed with several drivers responsible for the change. The willingness of consumers to use the technology for availing financial services is also a major facilitator of technological change.

In August 2015, the RBI granted licenses to 11 new payment banks. This marked a new revolution in the country's financial services sector. The move was to boost financial inclusion and up the ante of mobile revolution in the industry. The payment banking model will transform the way conventional banks approach

customers. The risk to traditional banks right now is that the payment banks will track the entire transaction and customer engagement in parallel. Small and Medium Enterprises (SMEs) will have advantage going forward. SMEs play a major role in the development of economy and providing employment in developing countries. They contribute 33% of the Gross Domestic Product (GDP) in developing economies. As the barriers are being cleared, SME sector could experience substantial growth and offer expanded markets for financial services firms.

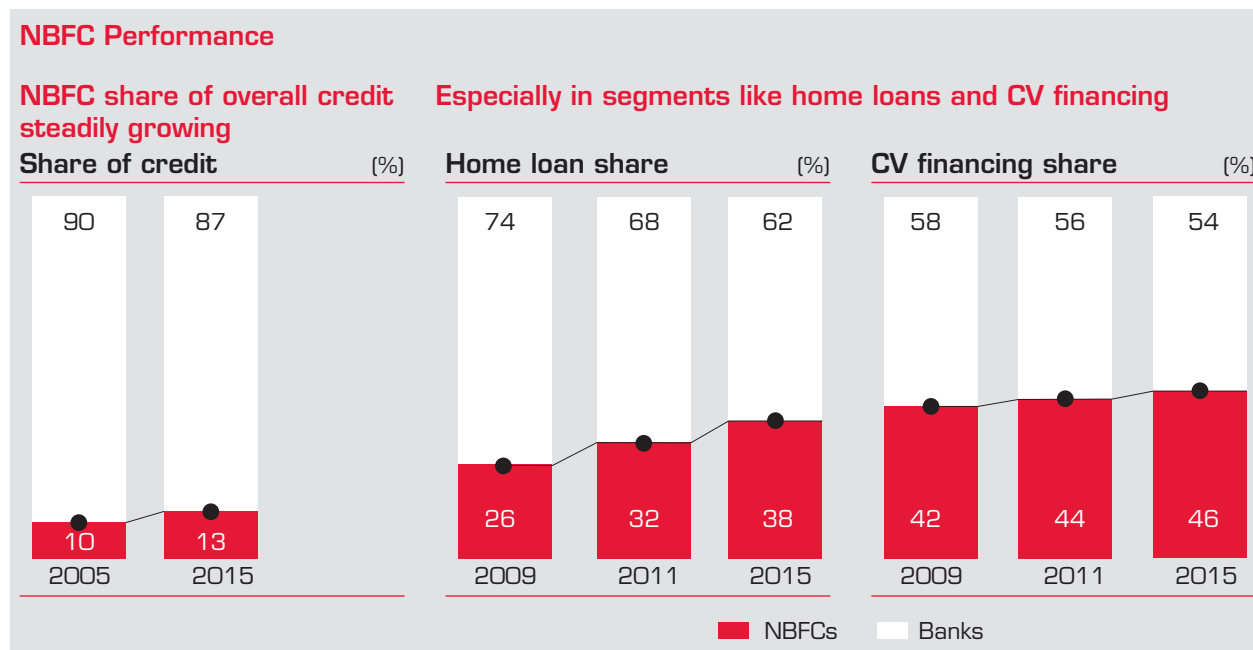
### NBFC Sector

NBFCs are emerging as an alternative to mainstream banking. They are also emerging as an integral part of Indian Financial System and are contributing commendably towards Government's agenda of financial

inclusion. NBFCs in India have recorded marked growth in recent years. Between 2005 and 2015, their share of credit in India went up from 10% to 13%.

(Source: The Boston Consulting Group – NBFC 2.0).

The success of NBFCs has been driven by factors like their ability to control risks, to adapt to changes and create demand in markets that are likely to remain unexplored by bigger players. Thus the need for uniform practices and level playing field for NBFCs in India is crucial. NBFCs, in India, are today operating in a very dynamic scenario especially after the revised regulatory framework by the RBI launched with the objective of harmonizing working of NBFCs with banks and financial institutions and address regulatory gaps and arbitrage.



Source: IBA, RBI Financial Statistics of NBFC Sector Database, ICRA Mortgage Finance Market Update 2015, CRISIL Housing Finance Report 2015, BCG Analysis

According to ICRA, retail credit of NBFCs as on 31st December 2015 stood at Rs. 4.7 trillion, showing a year-on-year growth of 18.8% as against 14.5% in 2015 and 9.5% in 2014. NBFCs are set to gather momentum in the CV segment and, given the anticipated pick-up in the overall business environment, will grow by 18-20% in 2016 and further by 19-22% in 2017, as against 14.5%

in 2015. However, the segments that could see subdued growth include tractors as lenders remain watchful in view of the weak rainfalls over the past three crop cycles. Further, credit off-take in the construction equipment (CE) segment is also expected to be slow in 2017 and will only pick up a bit when the steps initiated by the Government to boost infrastructure activity start giving results.

**Key Trends**

NBFCs are likely to benefit from underlying trends and developments in the Indian market:

Key Initiatives	Highlights
<b>E-commerce</b>	<ul style="list-style-type: none"> <li>- India is the fastest growing e-commerce market in the world (43% CAGR).</li> <li>- Size of the market likely to be 6X in the next five years (\$130-140 bn. by 2020).</li> <li>- 43% of the SMEs participated in online sales in 2015.</li> </ul>
<b>Smart cities and urbanisation</b>	<ul style="list-style-type: none"> <li>- 100 smart cities to be built over a spectrum of five years with more than \$7-8 billion investment.</li> <li>- Under 'Housing for All' initiative, 20 million houses to be constructed in urban areas in next seven years.</li> <li>- Under urban development scheme 'AMRUT', 500 cities to be developed.</li> </ul>
<b>Infrastructure Development</b>	<ul style="list-style-type: none"> <li>- \$600 billion investment target over five years for infrastructure development.</li> <li>- \$130 billion planned investment in railways in the next five years.</li> </ul>
<b>SME</b>	<ul style="list-style-type: none"> <li>- Low current penetration levels (25%) of financing in the SME industry.</li> <li>- Financing gap of more than \$40 billion.</li> <li>- 40% of SMEs in India financed through informal sources or self-finance.</li> </ul>
<b>Ease of doing business</b>	<ul style="list-style-type: none"> <li>- De-regulation, de-licensing and simplification of procedures eg:-  <ul style="list-style-type: none"> <li>Online application for environmental clearances.</li> <li>Simplification of allotment of PAN cards.</li> </ul> </li> </ul>
<b>Digital India</b>	<ul style="list-style-type: none"> <li>- Digital India to enable investment of \$68 billion and create 1.8 million jobs.</li> <li>- More than 1 million SMEs expected to plug into digital platforms in the next five years.</li> </ul>

Source: Boston Consulting Group (BCG)

**Government Initiatives**

Several measures have been outlined in the Union Budget 2015-16 that aim at reviving and accelerating investment:-

- ◆ The Prime Minister of India has launched the Micro Unit Development and Refinance Agency (MUDRA) to fund and promote Micro Finance Institutions (MFIs), which would provide loans to small and vulnerable sections of the business community.
- ◆ Government of India's 'Jan Dhan' initiative for financial inclusion is gaining momentum, as the number of bank accounts opened by July 15, 2015 has more than doubled to 169 million from 68.7 million at end of October 2014. Government of India aims to extend insurance, pension and credit facilities to those excluded from these benefits under the Pradhan Mantri Jan Dhan Yojana (PMJDY).
- ◆ NBFCs shall be eligible for deduction to the extent of 5% of their income in respect of provision for bad and doubtful debts (NPAs).
- ◆ FDI will be allowed beyond the 18 specified NBFC activities in the automatic route in other activities which are regulated by financial sector regulators.
- ◆ The Pradhan Mantri Mudra Yojana (PMMY) was launched for the benefit of bottom of the pyramid entrepreneurs. Banks and NBFC-MFIs have reported that the amount sanctioned under PMMY had reached about Rs. 1 crore to over 2.5 crores

borrowers by early February 2016, while the target next year is raised to Rs. 1,80,000 crores.

- ◆ Investment limit for foreign entities in Indian stock exchanges will be enhanced from 5 to 15% on par with domestic institutions.
- ◆ It is proposed to provide additional options to banking companies and financial institutions, including NBFCs, for reversal of input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans and advances with effect from 1 April 2016.
- ◆ The first home buyer is given deduction for additional interest of Rs. 50,000 per annum for loans up to Rs. 35 lacs sanctioned during the next financial year provided the value of the house does not exceed Rs. 50 lacs.

**NBFC SECTOR GROWTH DRIVERS**

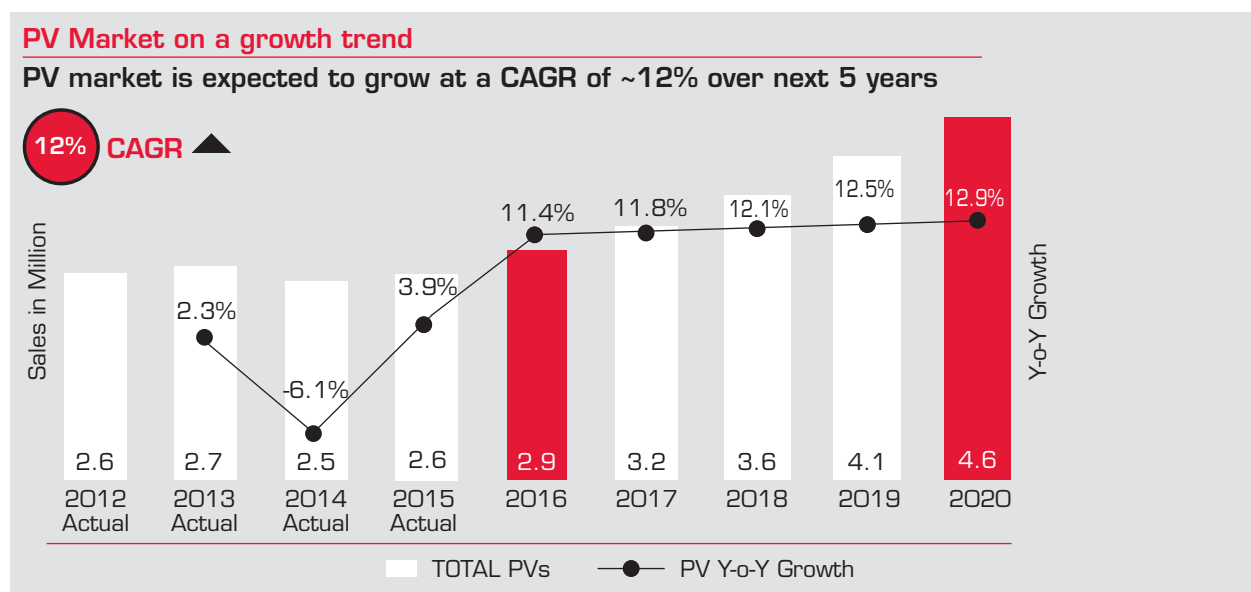
**Automotive**

Indian automobile industry is gearing up for good times after a long period of uneven and jaded performance. Indian automotive industry is expected to witness high growth in Passenger Vehicle (PV) over the period 2016-20 as the economic environment improves amid a strong reform push by the new government. This growth is predicted in view of positive GDP growth and launch of several new country specific models along with high technology adoption by automotive industry.

According to the Society of Indian Automotive



Manufacturers (SIAM), Indian automotive sector today is a \$74 billion industry and by 2026, it is expected to achieve a turnover of \$300 billion clocking a CAGR of 15%. Government of India aims to make automobile manufacturing the main driver of 'Make in India' initiative as it expects passenger vehicles market to triple to 9.4 million units by 2026 as highlighted in the Auto Mission Plan (AMP) 2016-26.



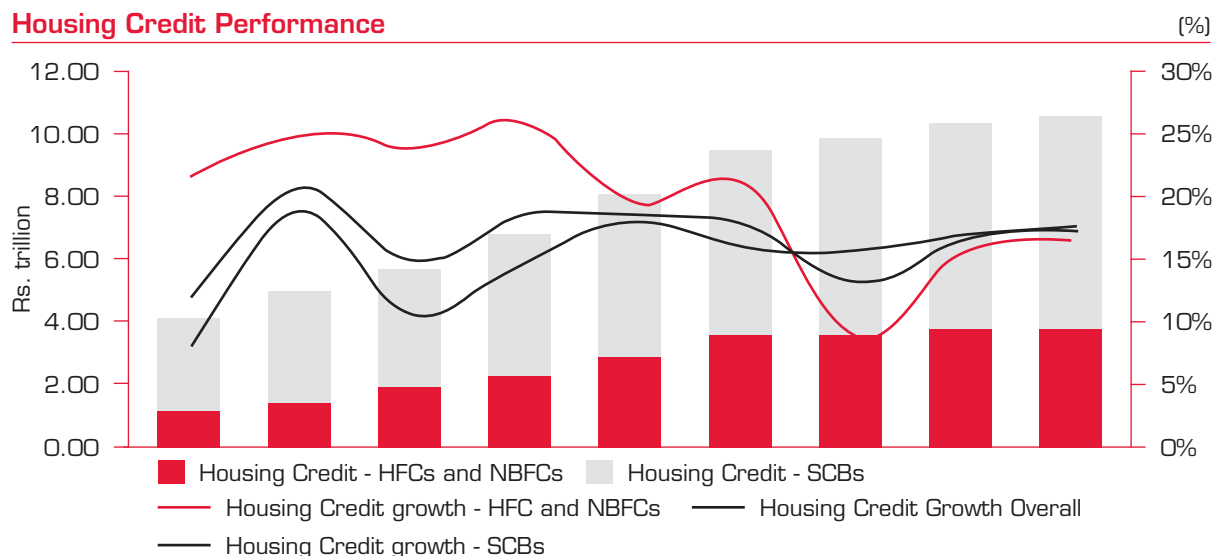
Source: SIAM, LMC Automotive, BMI Automotive, EY analysis

### Housing Finance

India is expected to emerge as the third largest economy in the world by 2030 with an estimated 590 million people inhabiting the cities. The launch of "Housing-For-All by 2022" scheme in 2015 signalled a new era in the housing finance sector. It provided much-needed impetus to the real estate and housing finance industry by creating an enabling and supportive environment for expanding credit flow and increasing home ownership. The agenda of 'housing for all' is a key component of the government's strategy for making Indian cities inclusive and productive.

According to ICRA, the total housing credit outstanding as on 31st December 2015 crossed Rs. 11.9 trillion showing a growth of 18% in the 9 Month period of 2016 as compared to Rs. 10.5 trillion as of 31st March 2015. The growth was seen from second quarter onwards and was driven by disbursements against construction linked loans, growth in the small ticket affordable housing segment and demand from Tier II and Tier III cities.

### Housing Credit Performance



Source: ICRA Estimates, RBI

The growth during the year 2015-16 was fairly broad based with a keen focus on affordable housing. Housing Finance companies were at the forefront in catering to the financial needs of the under-banked masses in the rural and semi-urban areas through strong linkages with these segments. Housing finance companies also gained market share during the period which can be attributed to large population base, rising income levels and rapid urbanisation.

Many new initiatives and policies focused on lending for housing were introduced in the last 12 months. The highlight was to bring housing loans of up to Rs. 50 lacs under affordable housing and bringing loans up to Rs. 28 lacs in urban and Rs. 25 lacs in other centres under Priority Sector Lending. The decision of the RBI to increase LTV ratio to 90% for loans up to Rs. 30 lacs or less was another positive step which will enable companies to lend more to customers desirous of owning a home.

### Tractor

The volumes of domestic tractor industry continued to be under pressure in 2015-16, resulting in decline of 12.1% on a year-on-year basis in April-February 2016. Some of the reasons for this low performance include weak farm sentiments, a result of stressed farm incomes on account of successive crop failures, a second consecutive year of weak south-west monsoon and a modest increase in Minimum Support Price (MSPs) of various crops. Additionally, non-agricultural demand has remained weak and a slow pick up in infrastructure and construction activities constrained demand for transport purposes.

The domestic tractor market has chiefly remained a medium HP market, with more than 80% of the total tractor sales being that of models in 31-50 HP range. The 41-50 HP segment continues to remain the most favoured segment, with about 45% of the domestic sales of tractors in the 10 month period of 2015-16 being covered by this segment alone. The inclination to medium HP tractors can be assigned to both suitability of medium HP tractors to a large addressable geographic region and their affordability vis-a-vis higher HP tractors.

Source: ICRA

### Infrastructure and Real Estate

The Indian Infrastructure and Construction Sectors have grown out of their nascent stage. For the past few decades, both government as well as private developers are targeting projects which were easy to execute and provide maximum economic benefit. Greater impetus to develop infrastructure in the country is attracting both domestic and international players. Private sector is

emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports. The construction equipment industry is expected to nearly double to around \$ 5 billion by 2019-20, according to the Indian construction equipment manufacturers association (ICEMA).

2015-16 witnessed a number of government initiatives to further push the real estate and infrastructure sector in right direction:-

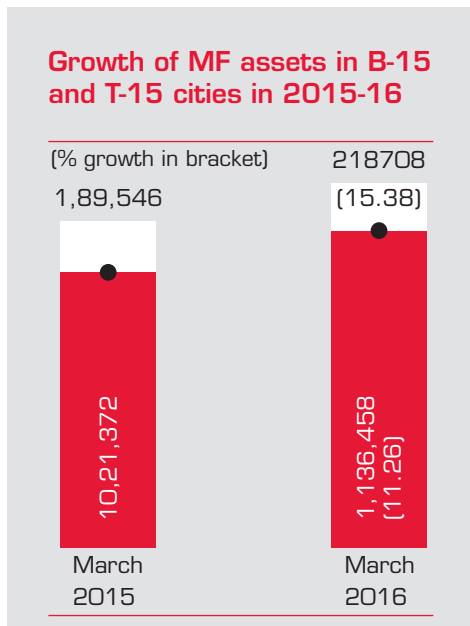
- ◆ Relaxation of foreign direct investment (FDI) norms.
- ◆ Clarifications about Real Estate Investment Trusts (REITs).
- ◆ Approval of the Real Estate (Regulation and Development) Bill by the Cabinet.
- ◆ Launch of Smart City campaign announcing first 20 cities to be developed under Smart Cities Mission.
- ◆ Capital expenditure outlays on the Railways and roads to touch Rs. 2,18,000 crores by 2016-17.
- ◆ Total outlay for infrastructure is Rs. 2,21,246 crores.
- ◆ Central Government to draw a plan to revive 160 un-served or underserved airports to enhance local connectivity.
- ◆ An initiative to transition infrastructure projects into a new credit rating system which will enable correct risk analysis of such projects, resulting in efficient loan funding.

### Mutual Fund Industry

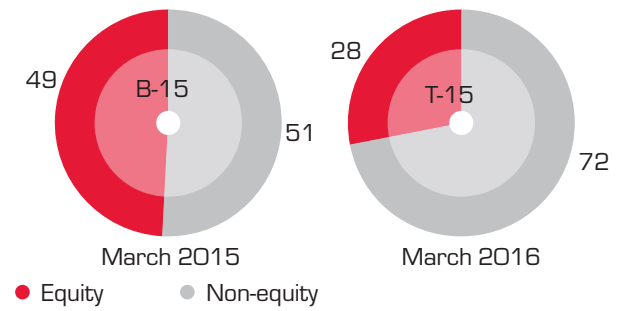
The mutual fund industry continued to post gains in 2015-16, with its Assets Under Management (AUM) touching Rs. 13,58,559 crores in the quarter ended March 2016. According to Association of Mutual Funds of India (AMFI) the average AUM of Mutual Fund industry rose by Rs. 1,63,940 crores or 13.7%, primarily driven by record net inflows into equity mutual funds and strong inflows into balanced, income and liquid schemes. The retail investors continued to invest in mutual funds despite weak markets over the last year .

Assets (or MF business) from India's smaller cities and towns, called B-15 cities (beyond top 15 cities, or T-15), grew 15.4% in 2016 to Rs. 2.19 lacs crores from Rs. 1.9 lacs crores last year. Assets from T-15 stood at 11.3%; total asset growth was 12%.

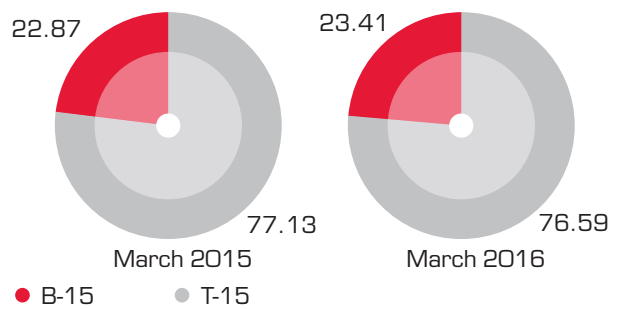
### MUTUAL FUND INDUSTRY PERFORMANCE



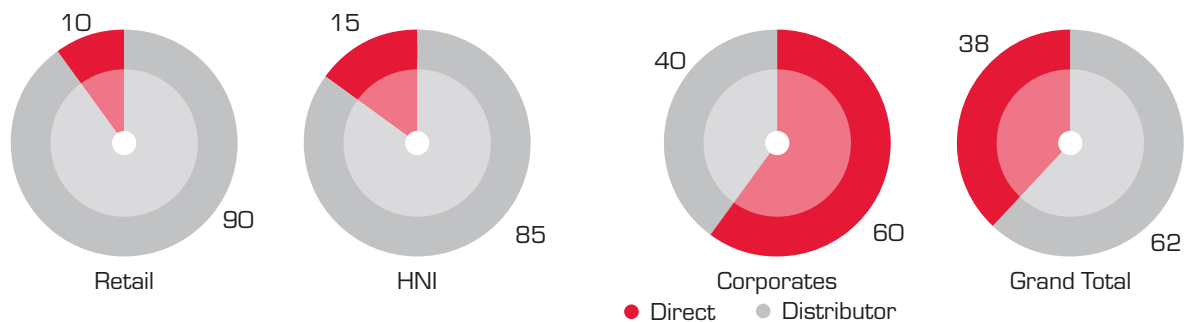
### Balance of equity and non-equity assets (%)



### Proportion of individual assets from B-15 vs T-15 (%)



### Investments through distributors vs direct investment\*



\*As on March 31, 2016

Source: Association of Mutual Funds in India (AMFI)

### Outlook

The outlook for the sector over the next year looks comparatively better on account of positive trend of growth in economy which is expected to boost credit demand. This, along with renewal of certain infrastructure projects which have been cleared by the cabinet committee in recent months and rise in industrial growth and corporate capital expenditure also is expected to benefit most of the commercial assets financed by the NBFCs. It is also expected to ease the pressure on the cash flows of their borrowers through improved utilisation of their assets. Going deeper across the country's unbanked regions, we at MMFSL, are optimistic that we would continue to address a wider customer base through our extensive operational

network. We shall continue to expand our loan book and monitor our margins to ensure sustainable stakeholder returns.

### Company Overview

Mahindra & Mahindra Financial Services Limited (MMFSL) is a subsidiary of the Indian conglomerate, Mahindra & Mahindra (M&M). It is a leading Non-Banking Financial Company (NBFC), catering to the financing needs of the large population residing in rural and semi-urban areas of India. We provide a range of retail products and services, such as financing utility vehicles for commercial use and personal use, tractors, SME loans, and many other commercial products.

Recognising the demand in niche segments, we have introduced Mutual Fund Distribution, Fixed Deposit Schemes and Personal Loans.

Through a vast network of 1,167 offices and human resource strength of over 15,000 employees, Mahindra Finance has established more than 4.1 million customer relationships across India. Mahindra Finance has financed assets of about 26,706 crores, generated income of 5,90,510.05 lacs and PAT (Profit after Tax) of 67,259.60 lacs.

### Credit Ratings

India Ratings has assigned 'IND AAA'/Stable, CARE Ratings has assigned CARE AAA, Brickwork has assigned BWR AAA/Stable and CRISIL has assigned "CRISIL AA+/Stable" rating to the Company's long term and subordinated debt.

### Key Competitive Advantages

**Diversified Product Portfolio:** Mahindra Finance has a large diversified product portfolio including vehicle financing, SME financing, Personal loans, mutual fund distribution, insurance broking and housing finance, serving varied needs of both rural and urban customers across the country.

**Quality service:** Mahindra Finance provides financial services through simple processes and procedures in sanction and disbursement of credit as well as timely, friendly and flexible terms of repayment aligned to the unique features of its clientele. Easy and fast appraisal and disbursements make the Company the preferred choice for many of its customers.

**Round the corner:** An established reach and network helps the Company to cater to the remotest of geographies in India. More than 90% of the unorganised sector has no link with banks and 60% of the rural consumers do not have bank accounts. The Company has significant business presence in semi-urban and rural areas.

**Customer Insight:** Focus on customer is one of the key factors that have driven the Company policies all these years. A strong business model and an insight in the needs of its customers give the Company a competitive edge. Better risk management has also contributed in Mahindra Finance achieving commendable growth.

**Strong Balance Sheet:** On the asset side, loans and advances make up nearly 92.6% of the total assets of the Company. This primarily includes auto loans. Most of

these loans are retail loans, and therefore are spread over a large customer and geographic base.

**Consistent innovation:** Our technology deployment has resulted in superior sales productivity, better market coverage, improved channelisation and customer experience.

**Transparent approach:** We have always valued transparency while engaging with employees, investors, business associates and a wide fraternity of stakeholders.

### Operational Review

The key operational highlights during the year are as below:

- ◆ Opened more branches at the village level to remain close to customers, to understand their cash flows and approach the customer for recovery when he has the money. These branches will seize new opportunities when the economic cycle and farm cycle improve.
- ◆ Increased number of offices to 1,167 as on 31st March 2016, up by 5.32% from 1,108 offices as on 31st March 2015.
- ◆ Increased employee base to 15,821 as on 31st March 2016 as against 14,197 as on 31st March 2015.
- ◆ Total Income increased to Rs. 5,905.10 Crores in 2015-16 from Rs. 5,585 Crores in 2014-15, an increase of 5.73%.
- ◆ Assets Under Management (AUM) raised to Rs. 40,933 Crores from Rs. 36,878 Crores in 2014-15, an increase of 11%
- ◆ The customer base reached 4.1 million people, from 3.63 million in 2014-15, an increase of 12.95%

The Company has always been following norms that are more prudent than those prescribed by the RBI. The Company has put in place processes to meet the RBI's new regulations.

### Financial Review

The following table presents MMFSL's standalone abridged financials for the financial year 2015-16, including revenues, expenses and profits.

**Abridged Profit and loss Statement Rs.in Crores**

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Revenue from operations	5,853.16	5,536.06
Other income	51.94	48.64
Total revenue	5,905.10	5,584.70
Expenses:		
Employee benefits expense	558.81	459.08
Finance costs	2,639.29	2,496.73
Depreciation and amortization expense	40.89	41.52
Loan provisions and write offs	1,049.53	827.49
Other expenses	578.40	506.24
Total expenses	4,866.92	4,331.06
Profit before tax	1,038.18	1,253.64
Tax expense	365.58	421.86
Profit for the year	672.60	831.78

**Key Ratios**

Key Indicators	2015-16	2014-15
PBT/Total Income	17.6%	22.4%
PBT/Total Assets	2.7%	3.7%
RONW (Avg. Net Worth)	11.5%	15.5%
Debt/ Equity	4.86:1	4.64:1
Capital Adequacy	17.3%	18.3%
Tier I Capital	14.6%	15.5%
Tier II Capital	2.7%	2.8%
Book Value (Rs.) (excluding ESOPs)	107.4	100.2
NIM (Gross Spread)	9.0%	9.5%

**Risk Management**

MIMFSL has formulated a robust Enterprise-wide Risk Management program (ERM) which involves risk identification, risk assessment and risk mitigation planning for business, strategic, operational, financial and compliance related risks. The ERM framework has been deployed across various processes in the organisation and is governed by the corporate risk office. A robust internal check process is deployed to prevent and limit risk of non-compliance.

The key Business Risks and the mitigation measures adopted by the Company are as follows :

Risk	Counter-measures
The Company is exposed to high credit risk given the unbanked rural customer base and diminishing value of collateral.	The Company manages credit risk through credit norms established through adequate experience in this line of business. Deep insight about the nature of borrowers and a strong business model reduces the risk of default significantly.
General industrial or economic slowdown affects the consumer sentiment and cash flows and may result in the slowdown of demand for vehicles consequently affecting Company's business.	The Company's diversified business portfolio coupled with customer reach enables it to sustain growth even in difficult financial conditions.
Disruption in funding could lead to liquidity crunch.	The Company gets funds from diverse sources, including Banks/ FIs etc., securitization of receivables, and other credit facilities like retail Fixed Deposits.

Risk	Counter-measures
Sharp fluctuations in interest rate may lead to a decline in the Company's net interest margin and ability to offer competitive lending rates to its customers.	The Company has prudently evolved a strategic fund mix to reduce dependence on banks that enables it to strike a balance between various sources of funding while reducing the cost of borrowing. The Company enjoys an excellent credit rating on its financial instruments which enables it to raise funds at competitive rates.
The shortage of skilled manpower in the local areas of operation pose a considerable risk given the Company's customer centric business model.	The Company strives to attract and retain the best talent from local markets; adopts a robust performance management system, employee engagement and training practices, learning and development initiatives to create an inspiring and rewarding work environment.
Competition from new entrants or unorganised sector or diversification by existing financial institutions.	The Company's extensive rural presence gives it a distinct edge. We have built trust and capabilities over three decades across India. Such an in-depth reach is not easy to build and gives us distinct edge.
Difficulty in expanding operations across new markets.	The Company, through its deep consumer insight collaborates with local business partners and adopts strategies to successfully market its products ensuring that it reaches the targeted customers.
Stringent Regulations reducing the regulatory arbitrage between Banks and NBFCs and resulting in increasing compliance costs.	The Company has put in place robust systems and processes to ensure compliance with all the applicable regulations. This has enabled the Company to earn the trust and goodwill of its stakeholders.

### Human Resource

MMFSL believes in taking care of its employees and ensuring that their career aspirations are met through professional growth, personal development and fair economic rewards. Thereby, giving rise to the Employee Value Proposition (EVP):

- ◆ Growth is a Way of life
- ◆ Employees are empowered
- ◆ People Matter

The Mahindra Finance Human Resource Management focuses on the following processes:

- ◆ **Talent Positioning:** It is based on the Business Plan followed by effective identification and placing of the right talent in the right position.
- ◆ **Talent Development:** The development initiatives and competency development plans leads to an increased capability and improved productivity.
- ◆ **Talent Management:** Career growth map for all roles in the organisation are defined and High Potentials are identified based on published criteria.
- ◆ **Succession Planning:** It is implemented and measured through identification and development of successors for all critical roles.
- ◆ **Employee Engagement Process:** It continuously strives to make the organisation a great place to

work through creating a happy & engaged workforce. The organisation has implemented a wide range of programs, to effectively engage the employees.

- ◆ **Quality Management:** Quality is a way of life at Mahindra Finance. In line with the core Value – “Quality Focus” and the continuous quest for excellence, the organisation benchmarks itself with the best practices both at industry level and at the group level. Mahindra Finance has been certified by CMMI Institute LA at People Capability Maturity Model (PCMM) Maturity Level 3.

In addition to the above, MMFSL upholds the dignity of all its employees and enables them to flourish in an inclusive environment. The organisation believes that diversity and inclusion represents business and economic potential, therefore, it ventures out exploring opportunities to make the work environment more sensitive and inclusive towards its diverse employee composition. The organisation is currently striving to create diversity through the spectrum of Gender, Generation, Differently Abled Diversity and Race / Religion.

### Information Technology

In the past year, MMFSL moved up the maturity curve of systems leverage. Exclusive systems training content was created and over 10,000 employees were trained in requisite systems; systems usage has increased by over 30%. Network connectivity has been enhanced to reach about 800 branches, with a large increase in bandwidth. Mobility has been leveraged through apps for customers and field processes. The usage of a new, mobility based lead capture cum loan origination system has begun in

select regions and the learning has been incorporated into the subsequent phases of rollout. Technology solutions to implement smart branches, new accounting standards, collection campaigns, asset recovery etc have been launched successfully. Communication among employees has been improved by expansion of the video conferencing and webcast services. Outsourced services are being leveraged to leverage specialised skills and better service levels. Investments have been made in state-of-the-art IT infrastructure and security solutions.

### **Internal Control**

The Company has put in place an adequate internal control system to safeguard all assets and ensure operational excellence. The system also meticulously records all transaction details and ensures regulatory compliance. The Company also has a team of internal auditors to conduct internal audit. Reputed audit firms also ensure that all transactions are correctly authorised

and reported. The reports are reviewed by the Audit Committee of the Board. Wherever necessary, internal control systems are strengthened and corrective actions initiated

### **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 sound Corporate Governance is essential for enhancing long-term shareholder value and retaining investor trust.

Your Company manages its affairs with diligence, transparency, responsibility and accountability to generate long-term value for its stakeholders on a continuous and sustainable basis thus ensuring ethical and responsible leadership both at the Board and at the Management levels.

Your Company's Governance processes and practices, ensure that the interest of all stakeholders are taken into account in a balanced and transparent manner and are firmly embedded into the culture and ethos of the organisation.

Your Company has an active, experienced and a well-informed Board. The Board along with its Committees undertakes its fiduciary duties towards all its stakeholders with the Corporate Governance mechanism in place.

The Company is in compliance with the requirements mandated by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["the Listing Regulations"] and the erstwhile Clause 49 of the Listing Agreement. A Report on compliance with the Code of Corporate Governance as stipulated in the Listing Regulations is given below:

## BOARD OF DIRECTORS

The composition of the Board of your Company is in conformity with the provisions of the Companies Act, 2013 and the Listing Regulations, as amended from time to time.

The Board currently comprises of nine Directors. The Chairman of the Company is an Independent Director and the number of Non-Executive and Independent Directors (including a lady Director) is more than one-half of the total number of Directors.

All the Directors possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other allied fields which enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company. Detailed profile of the Directors is available on the Company's website at the web-link:

<http://www.mahindrafinance.com/management.aspx>.

Mr. Bharat Doshi resigned as the Non-Executive Chairman and Member of the Board of Directors with effect from

9th March, 2016. The Board at its Meeting held on 18th March, 2016 has appointed Mr. Dhananjay Mungale, Independent Director as the Chairman of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee (NRC) elevated Mr. Ramesh Iyer, Managing Director as the 'Vice-Chairman & Managing Director' of the Company and also appointed Dr. Anish Shah as an Additional Director with effect from 18th March, 2016.

The Board of Directors at its adjourned Meeting held after the Annual General Meeting on 24th July, 2015, has pursuant to the recommendation of the NRC appointed Mr. V. Ravi, Chief Financial Officer of the Company as an Additional Director and elevated him to the position of a Whole-time Director designated as 'Executive Director & Chief Financial Officer', with effect from 25th July, 2015, subject to the approval of the Members.

Mr. Uday Y. Phadke, Non-Executive Non-Independent Director retired as Director of the Company with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015.

The term of office of Mr. Ramesh Iyer, Vice-Chairman & Managing Director of the Company expires on 29th April, 2016.

On the recommendation of the NRC, the Board at its Meeting held on 23rd April, 2016, has approved the re-appointment of Mr. Ramesh Iyer, as the Vice-Chairman & Managing Director of the Company from 30th April, 2016 to 29th April, 2021, subject to the approval of the Members to be obtained by way of Postal Ballot.

Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer are Whole-time Directors of your Company. Mr. V. S. Parthasarathy and Dr. Anish Shah, Non-Executive Non-Independent Directors of your Company are in the whole-time employment of Mahindra & Mahindra Limited (M&M), the holding company, and draw remuneration from it. Apart from reimbursement of expenses incurred in the discharge of their duties and the remuneration that the Non-Executive Directors would be entitled to under the Companies Act, 2013, 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 judgment would affect their independence. The Directors of the Company are not *inter-se* related to each other.

The Management of the Company is entrusted with the



Steering Committee comprising of Senior Executives from different functions headed by the Vice-Chairman & 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 stakeholders' value are met.

The Senior Management have 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 five times during the year under review, on 23rd April, 2015, 24th July, 2015, 21st October, 2015, 21st January, 2016, and 18th March, 2016. The requisite quorum was present for all the meetings.

The maximum time gap between any two meetings was not more than one hundred and twenty days. These Meetings were well attended.

### DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIP HELD

Pursuant to the provisions of section 165 of the Companies Act, 2013 none of the Directors of the Company is a Director in more than 10 Public Limited

Companies. Further, as mandated by Regulation 25 of the Listing Regulations, none of the Independent Directors of the Company serves as Independent Director in more than seven listed companies and three listed companies in case he/she serves as a Whole-time Director in any listed company. Further, as mandated by Regulation 26 of the Listing Regulations none of the Directors is a Member of more than 10 Board level Committees and no such Director is a Chairman/Chairperson of more than five Committees, across all public limited companies in which he/she is a Director. Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer are not Independent Directors of any other listed company. Table 1 gives the details.

### COMPOSITION OF THE BOARD

As on 31st March, 2016, the Company's Board comprised of nine members. The Chairman of the Board and four Directors are Independent Directors. The Vice-Chairman & Managing Director and the Executive Director & Chief Financial Officer are Executives of the Company while the remaining two Directors are Non-Executive Non-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) held on 24th July, 2015, as also the number of Directorships and Committee positions held by them in companies are as follows:

**Table 1: Composition of Board of Directors as on 31st March, 2016**

Name of the Directors	Category	Attendance Particulars			Total Number of Directorships of public companies and Committee Memberships/ Chairmanships/Chairpersonship#		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships/ Chairpersonship
		Held	Attended				
Mr. Dhananjay Mungale (Chairman)	Independent	5	4	Yes	10	6	2
Mr. Bharat Doshi@ (Former Chairman)	Non-Executive Non-Independent	5	4	Yes	N. A.	N. A.	N. A.
Mr. Uday Y. Phadke\$	Non-Executive Non-Independent	5	2	Yes	N. A.	N. A.	N. A.
Mr. Ramesh Iyer (Vice-Chairman & Managing Director)	Executive	5	5	Yes	6	3	0
Mr. Manohar G. Bhide	Independent	5	5	Yes	4	2	1
Mr. Piyush Mankad	Independent	5	5	Yes	8	6	2
Mr. C. B. Bhawe	Independent	5	5	Yes	1	0	1
Ms. Rama Bijapurkar	Independent	5	5	Yes	4	1	1
Mr. V. S. Parthasarathy	Non-Executive Non-Independent	5	5	Yes	8	4	2
Mr. V. Ravi* (Executive Director & Chief Financial Officer)	Executive	5	3	N.A.	4	4	0
Dr. Anish Shah+	Non-Executive Non-Independent	5	1	N.A.	4	2	0

**Notes:**

- @ Resigned as Chairman and Member of the Board w.e.f. 9th March, 2016. Four Meetings were held during his tenure.
- \$ Ceased to be Director of the Company from the conclusion of 25th Annual General Meeting held on 24th July, 2015. Two Meetings were held during his tenure.
- \* Appointed as Whole-time Director designated as "Executive Director & Chief Financial Officer" w.e.f. 25th July, 2015. Three Meetings were held during his tenure.
- + Appointed as an Additional Director at the Meeting of the Board of Directors held on 18th March, 2016, effective from the date of the Meeting. One Meeting was held during his tenure.
- # Excludes Directorships in private limited companies, foreign companies and companies registered under section 8 of the Companies Act, 2013, but includes Directorship in Mahindra & Mahindra Financial Services Limited (MMFSL). None of the Directors holds Directorships in more than 20 companies as stipulated in section 165 of the Companies Act, 2013. Committees considered are Audit Committee and Stakeholders Relationship Committee including in MMFSL.

**MEETINGS OF INDEPENDENT DIRECTORS**

As stipulated by the Code of Independent Directors under the Companies Act, 2013 and the Listing Regulations, two Meetings of Independent Directors were held during the year. At the Meetings the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole, and the Chairperson of the Company taking into account the views of Executive Directors and Non-Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary to effectively and reasonably perform and discharge their duties. The Meetings were conducted informally to enable Independent Directors to discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

**INFORMATION SUPPLIED TO THE BOARD**

The Company sends a detailed agenda folder to each Director at least seven days before the Board and Committee Meetings in accordance with the provisions of Secretarial Standard on Meetings of Board of Directors (SS-1) issued by the Council of the Institute of Company Secretaries of India and approved by the Central Government. All the agenda items are backed by necessary supporting information and documents to enable the Board to take informed decisions. A soft copy of the Board/Committee Meeting agenda is also hosted on the Board portal to provide web-based solution that functions as a document repository.

To enable the Board to discharge its responsibilities effectively, the Vice-Chairman & Managing Director appraises the Board at every Meeting on the overall performance of the Company, followed by presentations by the Executive Director & 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 stakeholders' value are met. The Board also, *inter-alia*, reviews and considers investment and exposure limits, compliance report(s) of all laws applicable to the Company, as well as steps taken to rectify instances of non-compliances if any, review of major legal issues, approval and 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 including the Company Secretary and Compliance Officer.

In addition to the above, pursuant to Regulation 24 of the Listing Regulations, the minutes of the Board Meetings of your Company's subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

The Chairman/Chairperson of various Board Committees brief the Board on all the important matters discussed and decided at their respective Committee Meetings.

**PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES AND DIRECTORS**

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees.

The Performance Evaluation of Board, its Committees and Directors has been discussed in detail in the Directors' Report.

**INDUCTION AND FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS**

The Company has adopted a structured programme for orientation of Independent Directors at the time of their joining so as to familiarise them with the Company—its operations, business, industry and environment in which it functions and the regulatory environment applicable to it. The Company updates the Board Members on a continuing basis on any significant changes therein and provides them an insight to their expected roles and responsibilities so as to be in a position to take well-informed and timely decisions and contribute significantly to the Company.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 25(7) of the Listing Regulations the Company has during the year conducted familiarisation programmes for its Independent Directors which included visit to Company's Branch office(s), off-site Board/

Committee Meetings, detailed presentations on long-term vision and strategy of the Company, its business model and operations, digitalisation, Industry outlook, Internal Control over Financial Reporting, Prevention of Insider Trading Regulations, SEBI Listing Regulations, Accounting Standards, Framework for Related Party Transactions, providing Regulatory updates at Board and Audit Committee Meetings, circulating press releases, disclosures made to Stock Exchanges, news and articles related to the Company to provide updates from time to time. The details of the familiarisation programmes are available on the website of the Company at the web link: <http://www.mahindrafinance.com/pdf/familiarisation-programme-for-IDs.pdf>.

## REMUNERATION

### Policy on Remuneration for Directors and criteria for determining qualifications, positive attributes and independence of a director

The success of an organisation in achieving good performance and good governing practices depends on its ability to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors.

The Nomination and Remuneration Committee ('the NRC') reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and also independence of director:

1. All Board appointments will be based on merit, in the context of the skills, experience, diversity, and knowledge, for the Board as a whole to be effective.
2. Ability of the candidates to devote sufficient time and attention to his/her professional obligations as Director for informed and balanced decision-making.
3. Adherence to the applicable Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors.

Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member.

Your Company has a well-defined Remuneration Policy for its Directors. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under section 178 of the Companies Act, 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

The NRC while determining the remuneration of the

Directors shall ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall ensure a balance between fixed and performance-linked variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals and it shall ascertain that some part of the remuneration is linked to the achievement of corporate performance targets.

### REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL AND EMPLOYEES

The Board and the Nomination and Remuneration Committee regularly keep track of the current and emerging market trends in terms of compensation levels and practices within the relevant industries. This information is used to review the Company's remuneration policies from time to time.

The broad structure of compensation payable to employees is as under:

- ♦ Fixed pay which has components like basic salary and other allowances/ flexi pay as per the grade where the employees can chose allowances from bouquet of options.
- ♦ Variable pay (to certain grades) in the form of annual/ half-yearly performance pay based on KRA's agreed.
- ♦ Incentives either monthly or quarterly based on targets in the lower grades.
- ♦ Retirals such as Provident Fund, Gratuity and Superannuation (for certain grades).
- ♦ Benefits such as car scheme, medical and dental reimbursement, loans, insurance, etc., as per grades.

The Cost to Company is reviewed annually and increment is given to eligible employees based on their position, performance and market dynamics as decided from time to time.

### REMUNERATION PAID TO DIRECTORS

The Independent Directors and eligible Non-Executive Directors are paid remuneration in the form of sitting fees and commission within the limits prescribed under the Companies Act, 2013. The remuneration payable to Non-Executive Directors is decided by the Board of Directors subject to the overall approval of Members of the Company.

The NRC while deciding the basis for determining the remuneration to the Non-Executive Directors, both fixed and variable, shall take into consideration various relevant factors, including the overall compensation policies of the Company pertaining to commission, current trends and practices in relevant industries, the market trends in terms of compensation levels, responsibilities undertaken

by the Directors such as Chairpersonship of Committees, their contribution in enhancing stakeholders' value resulting in overall growth of the Company, etc.

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. 130.55 Lacs has been provided as payable to the eligible Non-Executive Directors in the accounts for the year ended 31st March, 2016.

In addition, the Independent Directors and eligible Non-Executive Director(s) are paid a sitting fee of Rs. 50,000 each for every Meeting of the Board, Rs. 40,000 for every Audit Committee Meeting attended, Rs. 30,000 each for attending a Meeting of the Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Asset Liability Committee and the Risk Management Committee respectively, and Rs. 20,000 for attending a Meeting of the Strategy Committee for Acquisitions.

The Company has not granted any Stock Options to any of its Non-Executive Independent Directors.

Remuneration of Executive Directors includes salary, perquisites, allowances, benefits, amenities, retivals viz. superannuation including gratuity and provident fund (fixed component) and commission and stock options (variable component). The remuneration to the Vice-Chairman & Managing Director and Executive Director & Chief Financial Officer is fixed by the NRC which is subsequently approved by the Board of Directors and Shareholders at a General Meeting/by means of a Postal Ballot voting process.

The NRC while deciding the basis for determining the remuneration of the Executive Directors shall take into consideration the individual performance and the business performance. The business performance is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRAs). Both the BSC and KRAs are evaluated at the end of the fiscal to arrive at the BSC rating of the business and performance rating of the individual.

Detailed information of Directors' remuneration for the year 2015-16 is set forth in Table 2.

**Table 2: Details of Remuneration Paid to Directors for the Financial Year 2015-16**

(Rs.in Lacs)

Name of the Director	Sitting Fees (excluding Service Tax)	Salary and Perquisites	Superannuation and Provident Fund#	Commission	Total	Employees Stock Option Scheme 2010+ (ESOS-2010)		
						Number of Stock Options granted in February, 2011	Number of Stock Options granted in October, 2014	Number of Stock Options granted in October, 2015
						Grant 1\$\$	Grant 5\$\$	Grant 6\$\$
Mr. Ramesh Iyer*	N.A.	353.69	17.30	73.83	444.82	2,00,140	1,62,173	10,812
Mr. Bharat N. Doshi^	5.60	N.A.	N.A.	45.00	50.60	NIL	NIL	NIL
Mr. Uday Y. Phadke@	N.A.	N.A.	N.A.	NIL	NIL	1,67,390	NIL	NIL
Mr. Dhananjay Mungale	6.10	N.A.	N.A.	16.00	22.10	NIL	NIL	NIL
Mr. M. G. Bhide	7.90	N.A.	N.A.	16.00	23.90	NIL	NIL	NIL
Mr. Piyush Mankad	7.20	N.A.	N.A.	16.00	23.20	NIL	NIL	NIL
Ms. Rama Bijapurkar	5.70	N.A.	N.A.	15.00	20.70	NIL	NIL	NIL
Mr. C. B. Bhawe	5.80	N.A.	N.A.	2.34	8.14	N.A.	N.A.	N.A.
Mr. V. S. Parthasarathy	N.A.	N.A.	N.A.	N.A.	NIL	N.A.	NIL	NIL
Mr. V. Ravi**	N.A.	201.78	5.32	N.A.	207.10	77,815	61,319	NIL
Dr. Anish Shah	N.A.	N.A.	N.A.	N.A.	NIL	N.A.	N.A.	N.A.

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

+ Options issued at an Exercise Price of Rs. 2/- being the Face Value of the underlying shares.

\$\$ ESOS – 2010

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

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

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

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

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

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

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

The aforesaid details of remuneration may also be treated as the disclosure pursuant to Clause IV of Section II of Part II of Schedule V of the Companies Act, 2013 in respect of the re-appointment of Mr. Ramesh Iyer, Managing Director designated as "Vice-Chairman & Managing Director" and the appointment of Mr. V. Ravi as a Whole-time Director designated as "Executive Director & Chief Financial Officer" as placed before the Members for their approval to be obtained by means of a Postal Ballot voting process.

## SHARES HELD BY NON-EXECUTIVE DIRECTORS

Table 3 gives details of the shares held by the Non-Executive Directors as on 31st March, 2016.

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

Name of the Director	Number of Shares held
Mr. Dhananjay Mungale	50,000
Mr. M. G. Bhide	50,000
Mr. Piyush Mankad	50,000
Ms. Rama Bijapurkar	50,000
Mr. C. B. Bhave	NIL
Mr. V. S. Parthasarathy	250
Dr. Anish Shah	NIL

### Codes of Conduct

The Board has laid down Code of Conduct for Board Members and for Senior Management and Employees of the Company ("Codes"). These Codes have been posted on the Company's website:

[www.mahindrafinance.com/corporate-governance.aspx](http://www.mahindrafinance.com/corporate-governance.aspx).

All the Board Members and Senior Management Personnel have affirmed compliance with these Codes. A declaration signed by the Vice-Chairman & Managing Director to this effect is enclosed at the end of this Report.

The Code of Conduct of the Board Members has been amended to align it in accordance with the provisions of section 166 of the Companies Act, 2013.

The Board has also laid down a Code of Conduct for Independent Directors pursuant to section 149(8) read with Schedule IV of the Companies Act, 2013, which is a guide to professional conduct for Independent Directors of the Company.

### CEO/CFO Certification

As required under Regulation 17(8) read with Part B of Schedule II of the Listing Regulations, the Vice-Chairman & Managing Director and the Executive Director & Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2016.

The said Certificate is attached herewith as Annexure A and forms part of this Report.

### Risk Management

Your 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.

### Committees of the Board

Your Company has seven Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Asset Liability Committee, Risk Management Committee and Strategy Committee for Acquisitions. 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, 2016, the Audit Committee comprised of seven Non-Executive Directors of which five are Independent Directors. The Committee comprises Mr. C. B. Bhave (Chairman), Mr. Dhananjay Mungale, Mr. M. G. Bhide, Mr. Piyush Mankad and Ms. Rama Bijapurkar, Independent Directors and Mr. V. S. Parthasarathy and Dr. Anish Shah, Non-Executive Non-Independent Directors.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

The Board at its Meeting held on 18th March, 2016 has appointed Mr. C. B. Bhave as the Chairman in place of Mr. Dhananjay Mungale and Dr. Anish Shah as a Member of the Audit Committee. Mr. Dhananjay Mungale continues to be a Member of the Committee.

All the members of the Audit Committee possess strong accounting and financial management knowledge. The Committee's composition meets with the requirements of section 177 of the Companies Act, 2013 and Regulation 18(1) of the Listing Regulations.

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. It is authorised to, *inter-alia*, review and monitor the Auditor's independence and performance, effectiveness of the audit process, oversight of the Company's financial reporting process and the disclosure of its financial information, reviewing with the Management the quarterly and annual financial statements before submission to the Board for approval, examination of the financial statements and the Auditors' Report thereon, approval of transactions of the Company with related parties including subsequent modifications thereof, grant omnibus approvals subject to fulfilment of certain conditions, scrutiny of inter-corporate loans and investments, valuation of undertakings or assets of the Company wherever it is necessary, evaluation of internal financial controls and risk management systems, monitoring the end use of funds raised through public offers, rights issue, preferential issue, etc.

The Committee is empowered to review, *inter-alia*, the remuneration payable to the Statutory Auditors and Internal Auditors and to recommend a change in the Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of the unlisted subsidiary companies, Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions.

Further, the Committee is also authorised to oversee the functioning of the Whistle Blower Policy/Vigil Mechanism as well as review on a quarterly basis, the report on compliance under SEBI (Prohibition of Insider Trading) Regulations, 2015 given by the Compliance Officer. Generally all items listed in Regulation 18(3) read with Part C of Schedule II of the Listing Regulations are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Regulation 18 (2)(c) and reviews all the information as prescribed in Regulation 18(3) read with the Paragraph B of Part C of Schedule II of the Listing Regulations.

The Vice-Chairman & Managing Director, Executive Director & 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.

Mr. Dhananjay Mungale former Chairman and Mr. C. B. Bhave, the current Chairman of the Audit Committee were present at the 25th Annual General Meeting of the Company held on 24th July, 2015.

The Audit Committee met six times during the year on 23rd April, 2015, 24th July, 2015, 11th August, 2015, 21st October, 2015, 21st January, 2016 and 2nd February, 2016. The gap between any two meetings did not exceed one hundred and twenty days. 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 held	No. of Meetings attended
Mr. C. B. Bhave (Chairman)	6	6
Mr. Dhananjay Mungale	6	5
Mr. M. G. Bhide	6	6
Ms. Rama Bijapurkar	6	5
Mr. Uday Y. Phadke#	6	2
Mr. Piyush Mankad	6	6
Mr. V. S. Parthasarathy	6	5
Dr. Anish Shah+	N.A.	N.A.

# Ceased to be a Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. Two Meetings were held during his tenure.

+ Inducted as a Member with effect from 18th March, 2016. No Meeting was held during his tenure.

## b) Nomination and Remuneration Committee

The constitution and the terms of reference of the Nomination and Remuneration Committee are in compliance with the provisions of section 178(1) of the Companies Act, 2013 and Regulation 19 of the Listing Regulations.

The role of the Nomination and Remuneration Committee is to establish criteria for selection to the Board with respect to the competencies, qualifications, experience, track record and integrity, and recommend candidates for Board Membership, develop and recommend policies with respect to composition of the Board commensurate with the size, nature of the business and operations of the Company in line with the appropriate legislations, establish Director retirement policies and appropriate succession plans, devise policy on Board Diversity, determine overall compensation policies of the Company, and administer the "Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2005", the "Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010" and such further ESOP Schemes as may be formulated from time to time and take appropriate decisions in terms of the concerned Schemes.

The scope of the Committee further includes review of market practices and to decide on remuneration packages applicable to the Managing Director, Executive Director(s), Functional Heads, etc., set out performance parameters for Managing Director, Executive Director(s), Functional Heads, etc., and review the same. The Committee is authorised to identify persons who are qualified to be Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal and carry out evaluation of every Director's performance.

In addition to the above, the Committee is also authorised to formulate the criteria for determining the qualifications, positive attributes and independence of a Director and recommend to the Board formulation of a Policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

Performance Evaluation Criteria for Independent Directors:

The Nomination and Remuneration Committee *inter-alia*, determines the performance evaluation criteria for Independent Directors on parameters such as participation and contribution by a director, effective deployment of knowledge and expertise, effective management of relationship with stakeholders, integrity and maintenance of confidentiality and independence of behaviour and judgement.

All the Committee Members are Independent Directors including the Chairman. As of 31st March, 2016, the Committee comprised four members viz. Mr. Piyush Mankad (Chairman), Mr. Dhananjay Mungale, Mr. M. G. Bhide and Mr. C. B. Bhavé, all Independent Directors.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

Mr. Bharat Doshi has ceased to be a Member of the Committee consequent upon his resignation as Chairman and Member of the Board with effect from 9th March, 2016.

The Board at its Meeting held on 18th March, 2016 has appointed Mr. C. B. Bhavé as a Member of the Committee, with effect from the date of the said Board Meeting.

Mr. Piyush Mankad, Chairman of the Nomination and Remuneration Committee was present at the 25th Annual General Meeting of the Company held on 24th July, 2015.

The Committee met four times during the year under review on 23rd April, 2015, 24th July, 2015, 21st October, 2015 and 18th March, 2016. The attendance details at Meetings of the Committee are given in Table 5.

**Table 5: Attendance record of Nomination and Remuneration Committee Meetings**

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. Piyush Mankad (Chairman)	4	4
Mr. Bharat N. Doshi@	4	3
Mr. Dhananjay Mungale	4	3
Mr. Uday Y. Phadke \$	4	2
Mr. M. G. Bhide	4	4
Mr. C. B. Bhavé+	N.A.	N.A.

@ Ceased to be a Member consequent upon his resignation as Chairman and Member of the Board with effect from 9th March, 2016. Three Meetings were held during his tenure.

\$ Ceased to be a Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. Two Meetings were held during his tenure.

+ Inducted as a Member with effect from 18th March, 2016. No Meetings were held during his tenure.

### c) Stakeholders Relationship Committee

As on 31st March, 2016, the Stakeholders Relationship Committee comprised of four members, viz. Ms. Rama Bijapurkar (Chairperson) and Mr. M. G. Bhide, Independent Directors and Mr. Ramesh Iyer and Mr. V. Ravi, Executive Directors of the Company. Ms. Arnavaz M. Pardiwala, Company Secretary is the Compliance Officer of the Company.

The Board of Directors at its Meeting held on 23rd April, 2015 has appointed Ms. Rama Bijapurkar as the Chairperson and Member of the Committee with effect from the date of the said Meeting.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

During the year under review, Mr. V. Ravi has been appointed as a Member of the Committee.

The Committee meets, as and when required, to *inter-alia*, deal with matters relating to transfers/transmissions of shares and monitor redressal of grievances of security holders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc.

The Committee is also authorised to approve requests for issue of duplicate share certificates.

Mr. M. G. Bhide, former Chairman of the Committee and Ms. Rama Bijapurkar, current Chairperson were present at the 25th Annual General Meeting of the Company held on 24th July, 2015.

The Committee met twice during the year on 23rd April, 2015 and 21st October, 2015. Both the Meetings were well attended. The attendance details at Meetings of the Committee are given in Table 6.

**Table 6: Attendance record of Stakeholders Relationship Committee Meetings**

Name of Members	No. of Meetings held	No. of Meetings attended
Ms. Rama Bijapurkar (Chairperson)\$	2	1
Mr. M. G. Bhide	2	2
Mr. Uday Y. Phadke#	2	1
Mr. Ramesh Iyer	2	2
Mr. V. Ravi@	2	1

\$ Appointed as a Member and Chairperson with effect from 23rd April, 2015. One Meeting was held during her tenure.

# Ceased to be Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. One Meeting was held during his tenure.

@ Inducted as Member with effect from 25th July, 2015. One Meeting was held during his tenure.

Details of queries and grievances received and attended to by the Company during the year 2015 -16 are given in Table 7.

**Table 7: Complaints/Letters received and attended to during the Financial Year 2015 -16**

Nature of Complaints/Letters	Pending as on 1st April, 2015	Received during the year	Answered during the year	Pending as on 31st March, 2016
1. Status of Share Application	0	2	2	0
2. Non-Receipt of Electronic Credit	0	0	0	0
3. Non-Receipt of Dividend	0	4	4	0
4. Duplicate/Revalidation/Correction of Dividend Warrant	0	154	154	0
5. SEBI/ Stock Exchange Complaints	0	2	2	0
<b>Total</b>	<b>0</b>	<b>162</b>	<b>162</b>	<b>0</b>

### d) Corporate Social Responsibility Committee

The Corporate Social Responsibility ('CSR') Committee has been constituted by the Board of Directors to formulate and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company in compliance with the provisions of the Companies Act, 2013 and Rules made thereunder; allocate the amount of expenditure to be incurred on CSR activities as enumerated in Schedule

VII to the Companies Act, 2013, and monitor the CSR Policy of the Company periodically. The CSR Policy of the Company is displayed on the website of the Company at the link: <http://www.mahindrafinance.com/csr.aspx>.

Mr. Piyush Mankad, Non-Executive Independent Director was appointed as the Chairman of the Committee with effect from 18th March, 2016. Mr. Ramesh Iyer, Vice-



Chairman & Managing Director, Mr. V. Ravi, Executive Director & Chief Financial Officer and Dr. Anish Shah Non-Executive Non-Independent Director, are the other Members of the Committee.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

During the year under review, Mr. V. Ravi and Dr. Anish Shah have been appointed as Members of the Committee.

Consequent to his resignation as Chairman and Member of the Board with effect from 9th March, 2016, Mr. Bharat Doshi has ceased to be the Chairman and Member of the Committee.

The Committee held four meetings during the year under review. The Committee met on 23rd April, 2015, 11th August, 2015, 21st October, 2015 and 2nd February, 2016.

The attendance details at Meetings of the Committee are given in Table 8.

**Table 8: Attendance record of Corporate Social Responsibility Committee Meetings**

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. Piyush Mankad (Chairman)	4	4
Mr. Bharat Doshi@	4	4
Mr. Uday Y. Phadke#	4	1
Mr. Ramesh Iyer	4	4
Mr. V. Ravi^	4	3
Dr. Anish Shah+	N.A.	N.A.

@ Ceased to be the Chairman and Member of the Committee consequent upon his resignation as Chairman and Member of the Board with effect from 9th March, 2016.

# Ceased to be Member with effect from the conclusion of 25th Annual General Meeting held on 24th July, 2015. One Meeting was held during his tenure.

^ Inducted as Member with effect from 25th July, 2015. Three Meetings were held during his tenure.

+ Inducted as Member with effect from 18th March, 2016. No Meeting was held during his tenure.

#### e) 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 (RBI). The Company submits periodic reports to the RBI on the management of the Company's risks and assets and liabilities.

During the year under review Mr. Dhananjay Mungale has ceased to be the Chairman and Mr. M. G. Bhide has been appointed as the Chairman and Member of the Committee.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

During the year under review, Mr. V. Ravi has been appointed as a Member of the Committee.

As of 31st March, 2016, the Committee comprised of five members viz. Mr. M. G. Bhide (Chairman) and Mr. Dhananjay Mungale, Independent Directors, Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director, Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer.

The Committee met twice during the year on 23rd April, 2015 and 21st October, 2015. The attendance details at Meetings of the Committee are given in Table 9.

**Table 9: Attendance record of Asset Liability Committee Meetings**

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. M. G. Bhide (Chairman)\$	2	1
Mr. Dhananjay Mungale	2	1
Mr. Uday Y. Phadke#	2	1
Mr. Ramesh Iyer	2	2
Mr. V. S. Parthasarathy	2	1
Mr. V. Ravi@	2	1

\$ Appointed as Chairman and Member of the Asset Liability Committee with effect from 23rd April, 2015. One Meeting was held during his tenure.

# Ceased to be Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. One Meeting was held during his tenure.

@ Inducted as a Member with effect from 25th July, 2015. One Meeting was held during his tenure.

**f) Risk Management Committee**

Regulation 21 of the Listing Regulations mandates constitution of the Risk Management Committee. Your Company has in place a Risk Management Committee even before the erstwhile Clause 49 of the then prevailing Listing Agreement came into effect. The Risk Management Committee was constituted by the Board at its Meeting held on 28th January, 2008 to manage the integrated risk, inform the Board about the progress made in implementing a risk management system and review periodically the Risk Management Policy and strategy followed by the Company. Mr. V. Ravi, Executive Director & Chief Financial Officer apprises the Risk Management Committee and the Board of the major risks as well as the movement in the profile of the high risk category, the root causes of risks and their impact, key performance indicators, risk management measures and the current controls being exercised to mitigate these risks.

As of 31st March, 2016, the Risk Management Committee comprised Mr. C. B. Bhav (Chairman), Mr. Dhananjay Mungale, Mr. M. G. Bhide and Ms. Rama Bijapurkar, Independent Directors and Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director of the Company.

The Board of Directors at its Meeting held on 23rd April, 2015 has appointed Mr. C. B. Bhav as the Chairman of the Committee in place of Mr. Dhananjay Mungale. Mr. Mungale continues to be a Member of the Committee.

The Committee met on 23rd April, 2015, 24th July, 2015, 21st October, 2015 and 21st January, 2016. The attendance details at Meetings of the Committee are given in Table 10.

**Table 10: Attendance record of Risk Management Committee Meetings**

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. C. B. Bhav (Chairman)@	4	4
Mr. Dhananjay Mungale	4	3
Ms. Rama Bijapurkar	4	4
Mr. M. G. Bhide	4	4
Mr. V. S. Parthasarathy	4	4

@Appointed as Chairman with effect from 23<sup>rd</sup> April, 2015.

**g) Strategy Committee for Acquisitions**

The Strategy Committee for Acquisitions was constituted by the Board at its Meeting held on 20th March, 2015 to take up for evaluation and scrutinise significant investments/ funding including but not limited to business acquisitions, reviewing and monitoring existing investments in Subsidiaries and the Joint Venture Company, overseeing and reviewing performance of the subsidiaries and make necessary recommendations to the Board from time to time including disinvestments.

As of 31st March, 2016, the Strategy Committee for Acquisitions comprised of Mr. M. G. Bhide, Mr. Dhananjay Mungale and Mr. V. S. Parthasarathy.

The Committee met on 2nd December, 2015. All the Members were present at the Committee Meeting.

**Subsidiary Companies**

Regulation 16(1)(c) of the Listing Regulations defines a "material subsidiary" to mean a subsidiary, whose income or net worth exceeds 20 percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company did not have any

"material subsidiary" during the year under review. The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and sufficient resources. The Minutes of the Board Meetings of the Company's subsidiaries are placed at the Board Meeting for review by the Board Members. The financial statements of the subsidiary companies are presented to the Audit Committee. The Company has also complied with the other provisions of Regulation 24 with regard to subsidiary companies.

**Policy for determining Material Subsidiaries**

The Company has formulated a policy for determining 'material' subsidiaries as defined in Regulation 16(1)(c) of the Listing Regulations. This policy has also been hosted on the website of the Company at the web-link: <http://www.mahindrafinance.com/policies.aspx>.

**Disclosure of Transactions with Related Parties**

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the Listing Regulations during the financial year were in the ordinary course of business and on an arm's length basis. The details of the transaction with related parties are placed before the Audit Committee from time to time. During the Financial Year 2015-16, there were no materially significant transactions or arrangements

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 Number 40 to Standalone Financial Statements in the Annual Report.

#### **Policy on Materiality of and Dealing with Related Party Transactions**

The Company has formulated a policy on materiality of and dealing with Related Party Transactions pursuant to the provisions of the Companies Act, 2013 and Regulation 23 of the Listing Regulations. The Policy on Related Party Transactions is displayed on the website of the Company at the web-link:

<http://www.mahindrafinance.com/policies.aspx>.

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

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.

#### **Details of non-compliance by the Company**

The Company has complied with all the requirements of regulatory authorities. No penalties or strictures were imposed 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**

The Company has instituted a comprehensive Code of Conduct for Prevention of Insider Trading for its designated employees, in compliance with the Securities and Exchange Board of India [Prohibition of Insider Trading] Regulations, 2015, which came into force from 15th May, 2015.

The Company has devised and adopted the 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' and 'Code of Conduct for Prevention of Insider Trading in Securities of Mahindra & Mahindra Financial Services Limited' ("the Codes").

The Code of Conduct for Prevention of Insider Trading in Securities of Mahindra & Mahindra Financial Services Limited has been formulated to regulate, monitor and

ensure reporting of Trading by the Employees and Connected Persons designated on the basis of their functional role in the Company towards achieving compliance with the new Regulations and is designed to maintain the highest ethical standards of trading in Securities of the Company by persons to whom it is applicable. The provisions of the Code are designed to prohibit Designated Persons from trading in the Company's Securities when in possession of Unpublished Price Sensitive Information. The Code lays down guidelines for procedures to be followed and disclosures to be made while dealing with Securities of the Company and cautions them of the consequences of violations.

The Codes were made effective from 15th May, 2015.

All Board Members and designated persons have affirmed compliance with the Code.

#### **WHISTLE BLOWER POLICY**

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed is implemented through the Whistle Blower Policy to provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

The Whistle Blower Policy *per se* provides for protected disclosure and protection to the Whistle Blower. Under the Vigil Mechanism a person is provided access to Chairman of the Audit Committee of the Company or Chairman of the Company or the Corporate Governance Cell, to report illegal or unethical behaviour, actual or suspected fraud or violation of the Company's Codes of Conduct or Corporate Governance Policies or any improper activity. The Whistle Blower Policy has been appropriately communicated within the Company and is accessible on the intranet portal of the Company. No personnel has been denied access to the Audit Committee. All Employees, Directors, customers, dealers, vendors, suppliers or other stakeholders associated with the Company can make protected disclosures by sending an email at the designated email id: [mmfsl\\_whistleblower@mahindra.com](mailto:mmfsl_whistleblower@mahindra.com).

The vigil mechanism has been hosted on the Company's website at the weblink: [http://www.mahindrafinance.com/pdf/MMFSL\\_VigilMechanism.pdf](http://www.mahindrafinance.com/pdf/MMFSL_VigilMechanism.pdf).

#### **SHAREHOLDERS**

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

The details of Director(s) seeking re-appointment at the forthcoming Annual General Meeting is set forth in Table 11.

**Table 11**

Name of the Director	Mr. V. S. Parthasarathy
Date of Birth	1st November, 1962
Date of Appointment on the Board	24th July, 2014
Expertise in specific functional area	Finance, HR, M&A, IT and International Operations
Qualifications	Bachelor's Degree in Commerce and a fellow member of the Institute of Chartered Accountants of India, Advanced Management Program from Harvard University
Directorships in Companies	Mahindra Aerospace Private Limited Mahindra Reva Electric Vehicles Limited Mahindra Defence Systems Limited Mahindra USA Inc. Mahindra Yueda (Yancheng) Tractor Company Limited Mahindra Tractor Assembly Inc. CIE Automotive, S.A. Mahindra North America Technical Centre, Inc. Mahindra & Mahindra Financial Services Limited Mahindra Holidays & Resorts India Limited New Democratic Electoral Trust Mahindra Two Wheelers Limited Tech Mahindra Limited Mahindra Emarket Limited Peugeot Motocycles SAS
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra Aerospace Private Limited Mahindra Reva Electric Vehicles Limited Mahindra Holidays & Resorts India Limited Mahindra Two Wheelers Limited Mahindra & Mahindra Financial Services Limited
Nomination and Remuneration Committee	Mahindra Defence Systems Limited Mahindra Reva Electric Vehicles Limited Mahindra Two Wheelers Limited
Stakeholders Relationship Committee	Mahindra Holidays & Resorts India Limited
Risk Management Committee	Mahindra Holidays & Resorts India Limited Mahindra & Mahindra Financial Services Limited
Corporate Social Responsibility Committee	Mahindra Holidays & Resorts India Limited
ALCO Committee	Mahindra & Mahindra Financial Services Limited
Committee of Directors – Investments	Mahindra Holidays & Resorts India Limited
Investment Committee	Tech Mahindra Limited
Strategy Committee for Acquisitions	Mahindra & Mahindra Financial Services Limited
Audit and Finance Committee	Peugeot Motocycles SAS
Shareholding of Director in the Company	250 Equity Shares of the Face Value of Rs. 2/- each

Mr. Parthasarathy holds a Bachelor's Degree in Commerce and is a fellow member of the Institute of Chartered Accountants of India. He is Harvard Alumni of Advanced Management Program - batch 2011. He has also been part of Mahindra Group's Senior Management team for Group strategy development, facilitated by Harvard Business School.

Mr. V. S. Parthasarathy is Group Chief Financial Officer (CFO) and Group Chief Information Officer (CIO) of Mahindra & Mahindra Limited (M&M), the holding Company. In his role as Group CFO & Group CIO of M&M, he facilitates Mahindra Group in accomplishing its vision of 'being

amongst the Top 50 most admired brands in the world'. He is a member of the think-tank of Mahindra Group's supervisory board called "Group Executive Board". He is also a member of the Global IT Customer Advisory Board of CISCO & APJ Customer Advisory Board of HP. He is on the Board of listed entities of the Mahindra Group viz. Tech Mahindra Limited, Mahindra & Mahindra Financial Services Limited, and Mahindra Holidays & Resorts India Limited as well as several unlisted companies of the Group. He joined M&M in 2000. At M&M, he spearheaded functions like Finance, HR, M&A, IT and International Operations before he was appointed CFO of M&M. He has received many accolades and recognitions

in the field of Finance, M&A & IT being a Group CFO and Group CIO and as Head of Group Finance and Mergers & Acquisition.

#### Means of Communication

- ◆ The Company regularly interacts with its shareholders and investors through multiple channels of communication such as announcement of financial results, postal ballot results, annual report, media releases, dissemination of information on the website of the Company and Stock Exchanges and subject specific communications.
- ◆ The Company publishes its quarterly, half-yearly and annual results in Business Standard and Sakal which are national and local dailies, respectively. These are not sent individually to the Shareholders.
- ◆ The Company results and official news releases are displayed on the Company's website at <http://www.mahindrafinance.com>.
- ◆ The Company also makes presentations to international and national institutional investors and analysts, which are also hosted on its website.
- ◆ The Company also files various compliances as required to be filed in the BSE Corporate Compliance and Listing Centre and NSE Electronic Application Processing System (NEAPS). Various compliances as required/ prescribed under the Listing Regulations and the Listing Agreement executed with the Stock Exchanges are also filed through these systems.
- ◆ The Company has designated **investorhelpline\_mmfsl@mahindra.com** as an e-mail ID for the purpose of registering complaints by investors and displayed the same on the Company's website. The Company has also designated **mfinfd@mahindra.com** as an exclusive email ID for Fixed Deposit Investors for the purpose of registering queries/ complaints in respect of Fixed Deposits of the Company and the same has also been displayed on the Company's website.
- ◆ The Company has provided a dedicated e-mail address under its Vigil Mechanism, viz. **mmfsl\_whistleblower@mahindra.com** for reporting concerns by all Employees, Directors, customers, dealers, vendors, suppliers or other stakeholders associated with the Company.

## GENERAL BODY MEETINGS

**Table 12: Details of last three Annual General Meetings and Special Resolutions passed**

#### GENERAL BODY MEETINGS

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2012-2013	25th July, 2013	3.30 p.m.	None	Swatantryaveer Savarkar Rashtriya Smarak, 252, S.V.S. Marg, Shivaji Park, Dadar (W), Mumbai – 400 028.
2013-2014	24th July, 2014	3.30 p.m.	Revision in the remuneration of Mr. Ramesh Iyer, Managing Director of the Company.	Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai – 400 021.
2014-2015	24th July, 2015	3.30 p.m.	Alteration of the Articles of Association of the Company by adoption of a new set of Articles of Association.	Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai – 400 021.
			Approve payment of remuneration by way of commission up to one per cent of the net profits of the Company to the Non-Executive Directors, with effect from 1st April, 2015.	

No Extraordinary General Meeting of the Shareholders was held during the year.

## POSTAL BALLOT

Details of Resolutions passed through Postal Ballot during the Financial Year 2015-16.

During the year, two resolutions were passed through Postal Ballot. Mr. S. N. Ananthasubramanian, Practising Company Secretary was appointed as the Scrutinizer for overseeing the Postal Ballot voting process. The details are as follows:

**Date of the Postal Ballot Notice :** 6th May, 2015

**Voting period :** 14th May, 2015 to 12th June, 2015

### 1. Special Resolution for increase in borrowing limits from Rs.45,000 crores to Rs.50,000 crores under Section 180 (1)(c) of the Companies Act, 2013 ("the Act") and creation of charge on the assets of the Company under Section 180(1) (a) of the Act.

Promoter/ Public	No. of shares held (1)	No. of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/ (1)]*100	No. of votes- in favour (4)	No. of votes – against (5)	% of votes in favour on votes polled (6)=[(4)/ (2)]*100	% of votes against on votes polled (7)=[(5)/ (2)]*100
Promoter and Promoter Group	29,58,21,204	29,12,07,660	98.44	29,12,07,660	0	100.00	0
Public Institutional Holders	24,46,24,581	16,06,58,365	65.68	15,80,74,963	25,83,402	98.39	1.61
Public-Others**	2,83,19,175	27,79,705	9.82	27,77,935	1,205	99.94	0.04
<b>Total</b>	<b>56,87,64,960</b>	<b>45,46,45,730</b>	<b>79.94</b>	<b>45,20,60,558</b>	<b>25,84,607</b>	<b>99.43</b>	<b>0.57</b>

\*\*Valid votes abstained from voting = 565

### 2. Special Resolution for issue of Non-Convertible Debentures and/or other Debt Securities in one or more tranches, aggregating upto Rs. 21,000 crores on a Private Placement basis.

Promoter/ Public	No. of shares held (1)	No. of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/ (1)]*100	No. of votes- in favour (4)	No. of votes – against (5)	% of votes in favour on votes polled (6)=[(4)/ (2)]*100	% of votes against on votes polled (7)=[(5)/ (2)]*100
Promoter and Promoter Group	29,58,21,204	29,12,07,660	98.44	29,12,07,660	0	100.00	0
Public Institutional Holders	24,46,24,581	16,06,58,365	65.68	15,80,74,963	25,83,402	98.39	1.61
Public-Others**	2,83,19,175	27,79,705	9.82	27,78,110	1,030	99.94	0.04
<b>Total</b>	<b>56,87,64,960</b>	<b>45,46,45,730</b>	<b>79.94</b>	<b>45,20,60,733</b>	<b>25,84,432</b>	<b>99.43</b>	<b>0.57</b>

\*\*Valid votes abstained from voting = 565

**Date of Declaration of Results :** The results of both the aforesaid Special Resolutions were declared on 17th June, 2015.

### Procedure for Postal Ballot

In compliance with Regulation 44 of the Listing Regulations and Sections 108, 110 and other applicable provisions of the Companies Act, 2013 ("the Act") read with the Rules prescribed, the Company provides remote electronic voting (e-voting) facility to all its members to enable them to cast their votes electronically. The Company engages the services of Karvy Computershare Private Limited, its Registrar and Share Transfer Agents, for the purpose of providing e-voting facility to all its Members.

The Members have the option to vote either by physical ballot or e-voting. The Company dispatches the Postal

Ballot Notices and Forms along with postage pre-paid business reply envelopes to its members whose names appear on the Register of Members / list of Beneficiaries as on the cut-off date. The Postal Ballot Notice is sent to Members in electronic form to the e-mail addresses registered with their depository participants (in case of electronic shareholding)/ the Company's Registrar and Share Transfer Agents (in case of physical shareholding). The Company also publishes notice in the newspapers in English and Marathi languages declaring the details of completion of dispatch, and other requirements as mandated under the Act and applicable Rules and Secretarial Standard on General Meetings (SS-2). The

Company also voluntarily publishes a notice in respect of declaration of results of the Postal Ballot in the newspapers for the information of its Members. The same are also posted on the website of the Company.

Voting rights are reckoned on the paid-up value of the shares registered in the names of the Members as on the cut-off date. Members desiring to exercise their votes by physical postal ballot forms are requested to return the forms duly completed and signed, to the scrutinizer on or before the close of voting period. Members desiring to exercise their votes by electronic mode are requested to vote before close of business hours on the last date of e-voting. The scrutinizer submits his report to the Chairman or any other authorised Director of the Company, after the completion of scrutiny, and the consolidated results of the voting by postal ballot are accordingly declared by the Company within the stipulated time frame. The Results and the Report of the Scrutinizer are hosted on the Company's website [www.mahindrafinance.com](http://www.mahindrafinance.com) besides being communicated to the Stock Exchanges and Registrar and Share Transfer Agents. The Results are also published in at least one English and one vernacular newspaper circulating in Maharashtra. The last date of receipt of the duly completed Postal Ballot Forms or e-voting is deemed to be the date of passing of the resolutions, if approved by the requisite majority.

#### **Resolutions proposed to be passed by way of Postal Ballot**

The Company proposes to seek the approval of the Shareholders in respect of the following Resolutions by way of Postal Ballot including e-voting:

- i) Special Resolution for increase in the Borrowing limits of the Company from Rs. 50,000 crores to Rs. 55,000 crores under section 180(1)(c) of the Companies Act, 2013 ("the Act"), and creation of charge on the assets of the Company under section 180(1)(a) of the Act.
- ii) Special Resolution for Issue of Non-Convertible Debentures including Subordinated Debentures, in one or more tranches, aggregating upto Rs. 24,500 crores on a Private Placement basis in accordance with the provisions of sections 42, 71 and all other applicable provisions of the Act read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Companies (Share Capital and Debentures) Rules, 2014.
- iii) Special Resolution for re-appointment of Mr. Ramesh Iyer, Managing Director designated as "Vice-Chairman & Managing Director" of the Company.
- iv) Ordinary Resolution for appointment of Mr. V. Ravi as a Director.
- v) Special Resolution for appointment of Mr. V. Ravi as a Whole-time Director designated as "Executive Director & Chief Financial Officer" of the Company.
- vi) Ordinary Resolution for appointment of Dr. Anish Shah as a Director.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting requires the passing of a Special Resolution by way of Postal Ballot.

### **Management**

#### **Management Discussion and Analysis**

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

### **Compliance**

The Company has complied with the requirements specified in Regulations 17 to 27 and clauses (b) to (i) of the Regulation 46(2) of the Listing Regulations.

#### **Compliance with Mandatory Requirements**

The Company has complied with all the mandatory requirements of the Listing Regulations relating to Corporate Governance.

#### **Compliance with Non-Mandatory Requirements**

The Company has also adopted the following non-mandatory requirements to the extent mentioned below:

#### **Audit Qualification**

During the year under review, there is no audit qualification in your Company's standalone financial statements nor has there been a matter of emphasis made during the year. Your Company continues to adopt best practices to ensure a regime of unqualified financial statements.

#### **Separate Posts of Chairman and Managing Director and CEO**

The Chairman of the Board is an Independent Director and his position is separate from that of the Vice-Chairman & Managing Director.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

In December, 2009 the Government of India, Ministry of Corporate Affairs ["MCA"] had issued Corporate Governance Voluntary Guidelines, 2009 ["the Guidelines"]. In the Guidelines 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 values 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.

Your 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.

Your Company is in substantial compliance with the Guidelines and it will always be the Company's endeavour to attain the best practices in Corporate Governance.

### General Shareholders Information

#### 26th Annual General Meeting

Date : 22nd July, 2016

Time : 3.30 p.m.

Venue : Textiles Committee Auditorium,  
Government of India, Ministry of Textiles,  
P. Balu Road, Prabhadevi Chowk, Prabhadevi,  
Mumbai – 400 025.

#### Financial Year of the Company

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

Financial Reporting for

- ◆ Quarter ending 30th June, 2016 - End July, 2016
- ◆ Half-year ending 30th September, 2016 - End October, 2016
- ◆ Quarter ending 31st December, 2016 - End January, 2017
- ◆ Year ending 31st March, 2017 - End April, 2017

**Note:** The above dates are indicative.

#### Book Closure

Book Closure for dividend will be from 16th July, 2016 to 22nd July, 2016, inclusive of both days.

#### Dividend Payment

A dividend of Rs. 4.00 per Equity Share of Rs. 2 each, will be credited/dispatched on or after 25th July, 2016 subject to approval by Shareholders at the ensuing Annual General Meeting.

#### Registered Office

Gateway Building, Apollo Bunder, Mumbai - 400 001.

#### Corporate Identity Number

L65921MH1991PLC059642

#### Listing Details

##### A. Equity Shares

The Company's Shares are listed on :

Name:	The BSE Limited (BSE)	The National Stock Exchange of India Limited (NSE)
Address:	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

The requisite listing fees have been paid in full to both these Stock Exchanges.

Table 1	Stock Exchange Codes
BSE	532720
NSE	M&MFIN
Demat ISIN in NSDL and CDSL for Equity Shares	INE774DO1024

##### B. Non-Convertible Debentures

The Non-Convertible Debentures (NCDs) of the Company are listed on the Debt Segment of BSE, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The Company has paid the requisite listing fees in full.

Debenture Trustee for the Company's NCDs :

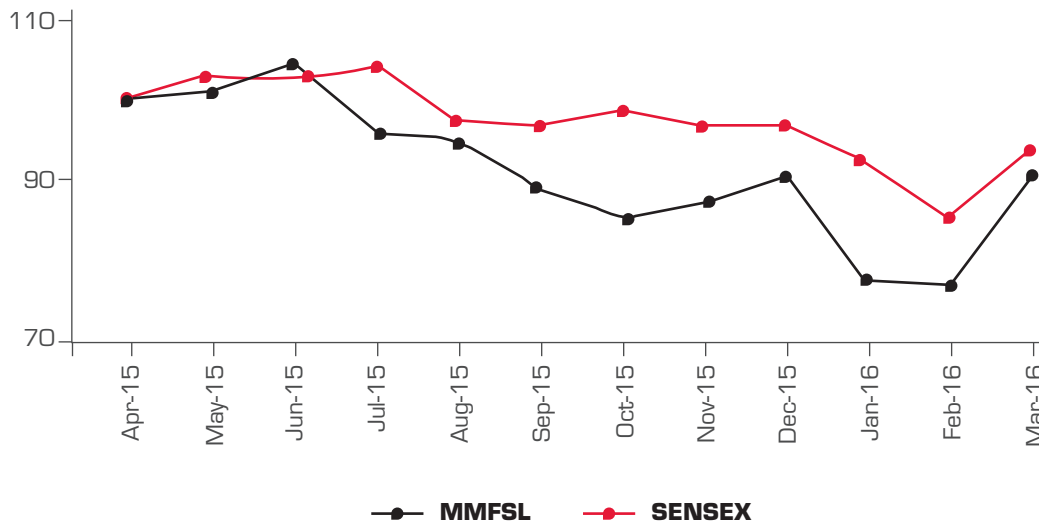
Axis Trustee Services Limited  
Axis House, 2nd Floor, Bombay Dyeing Mills Compound, Worli, Mumbai – 400 025.

**Table 2: Monthly High and Low of Company's shares for the Financial Year 2015 - 16 at BSE and NSE**

Month	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High	Low	High	Low
April 2015	292.00	253.40	292.00	253.30
May 2015	277.75	258.50	277.90	258.05
June 2015	285.25	235.25	285.70	235.25
July 2015	294.00	256.00	294.30	255.65
August 2015	280.00	246.45	276.00	246.40
September 2015	258.80	225.35	259.00	225.00
October 2015	248.00	223.85	248.20	223.05
November 2015	247.00	221.40	247.00	221.10
December 2015	251.05	231.30	251.00	231.20
January 2016	248.10	192.95	248.40	192.50
February 2016	219.15	173.40	219.50	173.10
March 2016	254.00	204.80	255.00	204.45

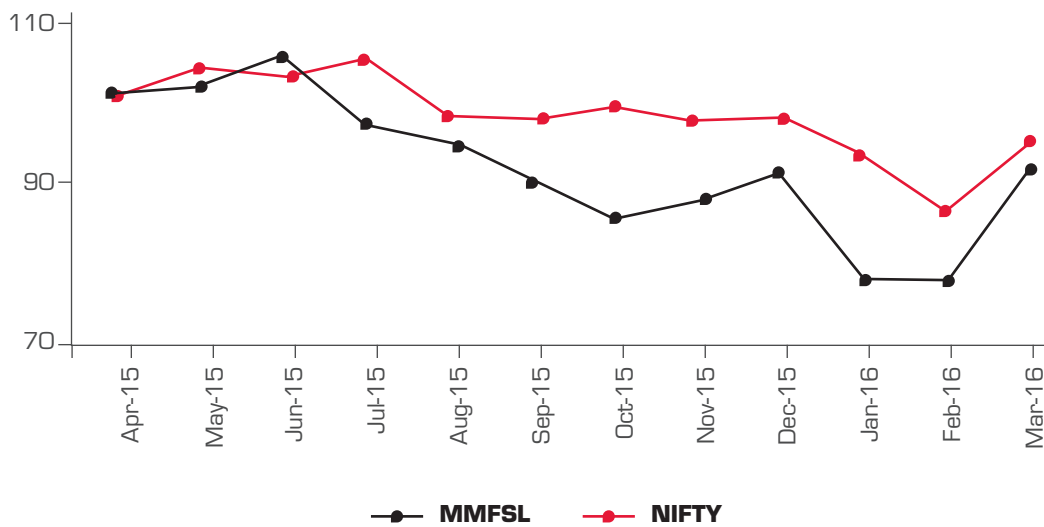


**Chart A**  
MMFSL's share performance versus BSE Sensex



Note: Share prices and BSE Sensex indexed to 100 as on the first working day of the Financial Year 2015-16 i.e. 1st April, 2015.

**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 2015-16 i.e. 1st April, 2015.

### Distribution of Shareholding

Table 3 and Table 4 list the distribution of the shareholding of the Equity Shares of the Company by size and by ownership class as on 31st March, 2016.

**Table 3: Shareholding pattern by size as on 31st March, 2016**

Category (Shares)	Number of Shareholders	No. of Shares held	% of Shareholding
1-500	49,759	60,54,734	1.06
501-1,000	1,919	14,97,428	0.26
1,001-5,000	1,641	36,74,282	0.65
5,001-10,000	243	17,61,456	0.31
10,001-20,000	139	20,74,086	0.37
20,001 and above	477	55,37,02,974	97.35
<b>Total</b>	<b>54,178</b>	<b>56,87,64,960</b>	<b>100.00</b>

**Table 4: Shareholding pattern by ownership as on 31st March, 2016**

Category of Shareholders	Number of Shares held	% of Shareholding
Promoter and Promoter Group	29,53,71,242	51.93
Mutual Funds	4,41,36,968	7.76
FIs	19,14,64,366	33.66
Bodies Corporate	44,17,050	0.78
Indian Public/HUF	2,05,41,676	3.61
NRIs	11,30,036	0.20
Trusts	8,60,191	0.15
Indian Financial Institutions/Banks	63,30,301	1.11
Venture Capital Funds	18,55,000	0.33
Insurance Companies	20,28,550	0.36
Clearing Members	6,29,580	0.11
<b>Total</b>	<b>56,87,64,960</b>	<b>100.00</b>

### Dematerialisation of Shares

As on 31st March, 2016, 99.83 percent of the total equity capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

### Compliance with Regulation 34 (3) and Part F of Schedule V of the Listing Regulations

In accordance with the provisions of Regulation 34 (3) and Part F of Schedule V of the Listing Regulations the Company reports the following details in respect of the unclaimed Equity Shares which have been credited to a demat suspense account opened by your Company with M/s. Karvy Stock Broking Limited:

- (i) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year – 26 shareholders representing 4,800 Equity Shares of Rs. 2 each.
- (ii) Number of shareholders who approached the Company for transfer of shares from suspense account during the year – 0.
- (iii) Number of shareholders to whom shares were transferred from suspense account during the year - 0.

(iv) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year - 26 shareholders representing 4,800 Equity Shares of Rs. 2 each.

(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, 2016, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible Instruments.

### Commodity Price Risk or Foreign Exchange Risk and Hedging activities

Your Company does not deal in any commodity and hence is not directly exposed to any commodity price risk.

As per the Company's Risk Management Policy, your Company enters into foreign currency swap/derivative transactions to cover the risk exposure on account of foreign currency loans. These transactions are structured in such a way that the Company's foreign currency liability is crystallized at a rate of exchange prevailing on the date of taking the swap.

Your Company follows the Accounting Policy and Disclosure Norms for swap/derivative transactions as prescribed by the relevant Regulatory Authorities and Accounting Standards from time to time. The details of foreign exchange exposures as on 31st March, 2016 are disclosed in Note Number 35 to the Standalone Financial Statements in the Annual Report.

#### 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  
Karvy Selenium, Tower B,  
Plot 31-32, Gachibowli, Financial District, Nanakramguda,  
Hyderabad – 500 032.  
Tel.: +91 40 67162222  
Fax: +91 40 23001153  
Email: support@karvy.com;  
einward.ris@karvy.com

The Registrar and Transfer Agents also have an office at:

##### **Karvy Computershare Private Limited**

24-B, Raja Bahadur Mansion,  
Ground Floor, 6 Ambalal Doshi Marg,  
Behind BSE, Fort,  
Mumbai - 400 023.  
Tel.: + 91 22 66235454

#### 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 15 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, Vice-Chairman & Managing Director, Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director, Mr. V. Ravi, Executive Director & Chief Financial Officer and Ms. Arnavaz M. Pardiwala, Company Secretary & Company Officer are authorised to approve transfers of upto 15,000 Equity Shares per transfer provided the transferee does not hold more than 5,00,000 Equity Shares in your Company. The Stakeholders Relationship Committee meets as and when required to consider other requests for transfer/transmission of shares, issue of duplicate share certificates and attend to grievances of the security holders of the Company, etc.

**Secretarial Audit / Reconciliation of Share Capital Audit**  
KSR & Co., Company Secretaries LLP has conducted a Secretarial Audit of the Company for the year 2015-16. The Audit Report confirms that your Company has complied with the applicable provisions of the Companies

Act, 2013 and the Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable RBI Regulations, Listing Agreements with the Stock Exchanges, applicable SEBI Regulations and other laws applicable to the Company. The Secretarial Audit Report forms part of the Directors' Report.

Pursuant to the erstwhile Clause 47 (c) of the then prevailing Listing Agreement and Regulation 40(9) of the new Listing Regulations certificates have been issued on a half-yearly basis, by a qualified Company Secretary in Practice, certifying due compliance of share transfer formalities by the Company.

A qualified Practicing Company Secretary carries out a quarterly Reconciliation of Share Capital Audit, to reconcile the total admitted Equity Share capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed Equity Share capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form held with NSDL and CDSL.

#### Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:

##### **Karvy Computershare Private Limited**

Unit: Mahindra & Mahindra Financial  
Services Limited  
Karvy Selenium, Tower B,  
Plot 31-32, Gachibowli,  
Financial District, Nanakramguda,  
Hyderabad – 500 032.  
Tel.: +91 40 67162222  
Fax: +91 40 23001153  
Email: support@karvy.com;  
einward.ris@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 Executive Director & Chief Financial Officer or the Company Secretary & Compliance Officer can be contacted at:

Mahindra Towers, 4th Floor, P. K. Kurne Chowk,  
Worli, Mumbai - 400 018.  
Tel.: +91 22 66526000  
Fax: +91 22 24984170.  
Email: investorhelpline\_mmfsl@mahindra.com  
Website: <http://www.mahindrafinance.com>

**DECLARATION BY THE MANAGING DIRECTOR UNDER REGULATION 34(3) READ WITH PARAGRAPH D OF SCHEDULE V OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

To  
The Members of  
Mahindra & Mahindra Financial Services Limited

I, Ramesh Iyer, Vice-Chairman & Managing Director of Mahindra & Mahindra Financial Services Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2016.

For Mahindra & Mahindra Financial Services Limited

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

Place: Mumbai  
Date : 23rd April, 2016

**ANNEXURE A****CEO/CFO Certification**

23rd April, 2016

To,  
The Board of Directors  
Mahindra & Mahindra Financial Services Limited

- (a) We have reviewed the financial statements and the cash flow statement for the financial year ended 31st March, 2016 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee that:
- (i) there have been no significant changes in internal control over financial reporting during this year;
  - (ii) there have been no significant changes in accounting policies during this year; and
  - (iii) there have been no instances of significant fraud of which we have become aware and the involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

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

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

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of  
Mahindra & Mahindra Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by **Mahindra & Mahindra Financial Services Limited** ('the Company'), for the year ended 31st March 2016, as stipulated in Clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the stock exchanges for the period 1st April 2015 to 30th November 2015 and as per regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1st December 2015 to 31st March 2016.

The compliance of conditions of Corporate Governance is the responsibility of the 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 / Listing Regulations, as applicable.

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  
Registration No. 105102W

**Naresh Kumar Kataria**  
Partner  
Membership No: 037825

Mumbai, 23rd April, 2016

# Financial Statements

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# Independent Auditor's Report

To the Members of  
**Mahindra & Mahindra Financial Services Limited**

## Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Mahindra & Mahindra Financial Services Limited** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section

143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the period from April 1, 2015 to March 31, 2016.

## Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143(3) of the Act, we report that:



- a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 41 to the financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Company.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 23, 2016

# Annexure I to the Auditor's Report

Referred to in paragraph 9 of our report of even date on the standalone financial statements of **Mahindra & Mahindra Financial Services Limited** for the year ended March 31, 2016

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

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets are physically verified by the Management according to a programme of phased verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets have been physically verified by the Management during the year and no material discrepancies have been noticed in respect of assets verified during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- II. The Company is engaged in the business of Non Banking Financial Services and accordingly does not hold any inventories. Hence, para 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- III. There are no companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore, para 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- IV. The provisions of section 185 of the Act are not applicable to the Company. The Company has complied with the provisions of section 186 of the Act to the extent applicable.
- V. The Company is a non banking finance Company and consequently is exempt from provisions of section 73, 74, 75 and 76 of the Act. Hence, para 3(v) of the Order is not applicable to the Company.
- VI. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) except for the following cases, there are no disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited with the relevant authority:

Nature of statute	Nature of dues	Amount (Rs in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	177.03	2005-06	Appeal to be filed with CIT(A)
Income Tax Act, 1961	Income Tax	150.12	2005-06	Appeal filed with CIT(A)
Income Tax Act, 1961	Income Tax	185.67	2006-07	Appeal filed with CIT(A)
Income Tax Act, 1961	Income Tax	25.18	2007-08	Appeal filed with CIT(A)
Income Tax Act, 1961	Income Tax	7.86	2010-11	Appeal filed with CIT(A)
Value Added Tax	Value Added Tax	123.57	April 2008 to Oct 2013	Stay by Andhra Pradesh High Court
Value Added Tax	Value Added Tax	0.56	2013-14	Appeal to be filed with Madhya Pradesh Appellate Tribunal
Finance Act, 1994	Service tax	5,086.98	2008-13	Appeal filed with CESTAT (tribunal)
Finance Act, 1994	Service tax	68.68	2008-13	Appeal to be filed with Commissioner (Appeals - I), Mumbai

VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not defaulted in repayment of any dues from financial institutions or banks or debenture holders as at the Balance Sheet date.

IX. On the basis of examination of relevant records and according to the information and explanations given to us during the year, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments).

In our opinion, and according to the information and explanations given to us, during the year, the term loans have been applied for the purpose for which they were obtained.

X. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for 150 cases aggregating Rs. 559.99 Lacs, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.

XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

XII. The Company is not a 'Nidhi Company', therefore, para 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The Company has disclosed the

details of transactions with related parties in the financial statements as required by the applicable accounting standards.

XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, para 3(xiv) of the Order is not applicable to the Company.

XV. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of para 3(xv) of the Order are not applicable to the Company.

XVI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and holds a valid certificate of registration under the same.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 23, 2016

# Annexure II to the Auditor's Report

of even date on the standalone financial statements of Mahindra & Mahindra Financial Services Limited

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Mahindra & Mahindra Financial Services Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India ("ICAI") and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of

controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company

considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 23, 2016

# Balance Sheet

as at March 31, 2016

Rs. in Lacs

Particulars	Note No.	As at March 31	
		2016	2015
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share capital	1	11,292.03	11,282.81
b) Reserves and surplus	2	5,97,518.70	5,55,658.09
		<b>6,08,810.73</b>	<b>5,66,940.90</b>
<b>2) Non-current liabilities</b>			
a) Long-term borrowings	3	17,33,167.65	14,78,714.78
b) Other long-term liabilities	4	43,262.99	30,247.97
c) Long term provisions	5	44,820.99	32,796.05
		<b>18,21,251.63</b>	<b>15,41,758.80</b>
<b>3) Current liabilities</b>			
a) Short-term borrowings	6	4,34,689.28	4,87,098.39
b) Trade payables	7	47,883.60	47,790.43
c) Other current liabilities	8	8,94,622.42	7,48,764.20
d) Short term provisions	9	1,50,690.26	1,15,061.82
		<b>15,27,885.56</b>	<b>13,98,714.84</b>
<b>Total</b>		<b>39,57,947.92</b>	<b>35,07,414.54</b>
<b>II. ASSETS</b>			
<b>1) Non-current assets</b>			
a) Fixed assets	10		
i) Tangible assets		10,791.91	10,507.74
ii) Intangible assets		555.30	466.04
iii) Capital work-in-progress		1.85	31.54
b) Non-current investments	11	99,233.39	75,992.00
c) Deferred tax assets (net)	12	58,527.64	41,526.17
d) Long-term loans and advances	13	18,41,719.19	17,00,368.74
e) Other non-current assets	14	5,176.44	23,203.46
		<b>20,16,005.72</b>	<b>18,52,095.69</b>
<b>2) Current assets</b>			
a) Current investments	15	49,100.67	9,375.00
b) Trade receivables	16	511.24	567.25
c) Cash and bank balances	17	58,903.17	47,937.84
d) Short-term loans and advances	18	18,24,055.67	15,92,606.84
e) Other current assets	19	9,371.45	4,831.92
		<b>19,41,942.20</b>	<b>16,55,318.85</b>
<b>Total</b>		<b>39,57,947.92</b>	<b>35,07,414.54</b>

**Summary of significant accounting policies and notes to the financial statements I & II**

The notes 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  
FRN : 105102W

**Dhananjay Mungale**  
Chairman

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

**M. G. Bhide**  
Director

**Piyush Mankad**  
Director

**Naresh Kumar Kataria**  
Partner  
Membership No.037825

**C.B. Bhave**  
Director

**Rama Bijapurkar**  
Director

**V. S. Parthasarathy**  
Director

**Dr. Anish Shah**  
Director

Place : Mumbai  
Date : 23rd April, 2016

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

**Arnavaz Pardiwala**  
Company Secretary

# Statement of Profit and Loss

for the year ended March 31, 2016

Particulars	Note No.	Rs. in Lacs	
		Year ended March 31	
		2016	2015
<b>I. Revenue from operations</b>	20	5,85,316.11	5,53,605.61
<b>II. Other income</b>	21	5,193.94	4,864.99
<b>III. Total Revenue (I+II)</b>		<b>5,90,510.05</b>	<b>5,58,470.60</b>
<b>IV. Expenses:</b>			
Employee benefits expense	22	55,880.74	45,908.20
Finance costs	23	2,63,929.19	2,49,673.13
Depreciation and amortization expenses	24	4,088.81	4,151.63
Loan provisions and write offs	25	1,04,952.98	82,748.89
Other expenses	26	57,840.20	50,624.35
<b>Total Expenses</b>		<b>4,86,691.92</b>	<b>4,33,106.20</b>
<b>V. Profit before exceptional items and taxes (III-IV)</b>		<b>1,03,818.13</b>	<b>1,25,364.40</b>
<b>VI. Exceptional items (net) - income/(expense)</b>		-	-
<b>VII. Profit before tax (V+VI)</b>		1,03,818.13	1,25,364.40
<b>VIII. Tax expense:</b>			
Current tax		53,560.00	51,995.00
Deferred tax		(17,001.47)	(9,808.19)
		<b>36,558.53</b>	<b>42,186.81</b>
<b>IX. Profit/(Loss) for the year (VII-VIII)</b>		<b>67,259.60</b>	<b>83,177.59</b>
<b>X. Earnings per equity share (Rupees):</b>	28 (i)		
(Face value - Rs. 2/- per share)			
(1) Basic		11.92	14.75
(2) Diluted		11.83	14.62
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Statement of Profit and Loss. This is the Statement of Profit and Loss referred in our report of even date.

For <b>B. K. Khare and Co.</b> Chartered Accountants FRN :105102W	<b>Dhananjay Mungale</b> Chairman	<b>Ramesh Iyer</b> Vice-Chairman & Managing Director	<b>M. G. Bhide</b> Director	<b>Piyush Mankad</b> Director
<b>Naresh Kumar Kataria</b> Partner Membership No.037825	<b>C.B. Bhave</b> Director	<b>Rama Bijapurkar</b> Director	<b>V. S. Parthasarathy</b> Director	<b>Dr. Anish Shah</b> Director
Place : Mumbai Date : 23rd April, 2016	<b>V. Ravi</b> Executive Director & Chief Financial Officer	<b>Arnavaz Pardiwala</b> Company Secretary		

# Cash Flow Statement

for the year ended March 31, 2016

Rs. in Lacs

Particulars	Year ended March 31	
	2016	2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies and exceptional items	1,03,818.13	1,25,364.40
Add/(Less):		
<b>Non Cash Expenses:</b>		
Depreciation and amortisation expense	4,088.81	4,151.63
Provision for Non-performing assets	52,596.10	33,259.02
Bad debts and write offs	51,003.24	48,401.00
General provision for Standard assets	1,353.00	1,057.00
Higher provision & provision for diminution in the fair value of restructured advances	0.64	31.87
Employee compensation expense on account of ESOP Scheme	1,431.06	1,065.33
	<b>1,10,472.85</b>	<b>87,965.85</b>
<b>Add/(Less): Income considered separately</b>		
Income on investing activities	(5,779.77)	(4,550.21)
(Profit)/Loss on sale of assets	(107.10)	(14.99)
(Profit)/Loss on sale of current investments	-	(468.64)
Income from Assignment/Securitisation transactions	(20,633.45)	(25,622.33)
	<b>(26,520.32)</b>	<b>(30,656.17)</b>
<b>Operating profit before working capital changes (I)</b>	<b>1,87,770.66</b>	<b>1,82,674.08</b>
<b>Add/(Less): Working capital changes</b>		
(Increase)/Decrease in interest accrued-others	(1,543.10)	(50.79)
(Increase)/Decrease in Trade receivables	56.01	868.11
(Increase)/Decrease in Loans and advances	(5,09,116.31)	(4,51,145.06)
	<b>(5,10,603.40)</b>	<b>(4,50,327.74)</b>
Add: Increase/(Decrease) in current liabilities	42,617.63	22,500.32
	<b>(II) (4,67,985.77)</b>	<b>(4,27,827.42)</b>
<b>Cash generated from/(used in) operations (I+II)</b>	<b>(2,80,215.11)</b>	<b>(2,45,153.34)</b>
Advance taxes paid	(57,890.09)	(53,744.93)
	<b>(3,38,105.20)</b>	<b>(2,98,898.27)</b>
<b>Net Cash Generated From/(Used In) Operating Activities (A)</b>	<b>(3,38,105.20)</b>	<b>(2,98,898.27)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets/software	(4,321.27)	(3,978.71)
Sale of fixed assets	227.29	590.18
Purchase of investments Other than investments in Subsidiaries and Joint Ventures	(2,28,979.53)	(2,67,445.45)
Investments in Subsidiary Companies	(9,457.22)	(2,295.00)
Investments in Joint Venture Company	(4,530.31)	(2,998.96)
Investments in/maturity of term deposits with banks	10,913.77	(4,516.77)
Sale of investments	1,80,000.00	2,74,757.77
Income received from investing activities	5,505.25	4,334.01
(Increase)/Decrease in Earmarked balances with banks	5.56	0.24
<b>Net Cash Generated From/(Used In) Investing Activities (B)</b>	<b>(50,636.46)</b>	<b>(1,552.69)</b>



# Cash Flow Statement

for the year ended March 31, 2016

Rs. in Lacs

Particulars	Year ended March 31	
	2016	2015
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity shares (net of issue expenses)	306.04	238.90
Increase/(Decrease) in Bank borrowings (net)	(1,22,402.47)	(2,45,042.73)
Increase/(Decrease) in Long term borrowings (net)	4,72,325.00	25,720.00
Increase/(Decrease) in Short term borrowings (net)	(41,425.00)	3,44,785.00
Increase/(Decrease) in Fixed deposits (net)	10,402.96	1,07,803.59
Proceeds from Assignment/Securitisation transactions (in the form of EIS, Collection charges recovered etc.)	99,463.75	89,044.34
Dividend paid (including tax on dividend)	(27,174.62)	(25,157.82)
<b>Net Cash Generated From/(Used In) Financing Activities (C)</b>	<b>3,91,495.66</b>	<b>2,97,391.28</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents (A+B+C)</b>	<b>2,754.00</b>	<b>(3,059.68)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>19,122.95</b>	<b>22,182.63</b>
<b>Cash And Cash Equivalents At The End Of The Year (Refer Note No. 17)</b>	<b>21,876.95</b>	<b>19,122.95</b>

## COMPONENTS OF CASH AND CASH EQUIVALENTS

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>Cash and cash equivalents at the end of the year</b>		
- Cash on hand	2,254.23	1,622.33
- Cheques and drafts on hand	544.34	296.98
- Balances with banks in current accounts	19,078.38	17,203.64
<b>Total Cash and cash equivalents (refer note no. 17)</b>	<b>21,876.95</b>	<b>19,122.95</b>

**Note:** The above Cash Flow Statement has been prepared under the 'Indirect method' as set out in Accounting Standard 3 'Cash Flow Statement'.

For <b>B. K. Khare and Co.</b> Chartered Accountants FRN :105102W	<b>Dhananjay Mungale</b> Chairman	<b>Ramesh Iyer</b> Vice-Chairman & Managing Director	<b>M. G. Bhide</b> Director	<b>Piyush Mankad</b> Director
<b>Naresh Kumar Kataria</b> Partner Membership No.037825	<b>C.B. Bhave</b> Director	<b>Rama Bijapurkar</b> Director	<b>V. S. Parthasarathy</b> Director	<b>Dr. Anish Shah</b> Director
Place : Mumbai Date : 23rd April, 2016	<b>V. Ravi</b> Executive Director & Chief Financial Officer	<b>Arnavaz Pardiwala</b> Company Secretary		

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### 1) Basis for preparation of financial statements:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended).

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

Further, the Company follows prudential norms for income recognition, assets classification and provisioning for Non-performing assets as well as contingency provision for Standard assets as prescribed by The Reserve Bank of India (RBI) for Non-Banking Financial Companies. The Company has a policy of making additional provision on a prudential basis (refer note no. 29 of notes to the financial statements).

### 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:

Revenue is recognised as earned and accrued when it is reasonably certain that its ultimate collection will be made and the revenue is measureable.

## II. Income from loans:

- a) Interest income from loan transactions is accounted for by applying the interest rate implicit in such contracts.
- b) Service charges, documentation charges and other fees on loan transactions are recognised at the commencement of the contract.
- c) Delayed payment charges, fee based income and interest on trade advances, are recognised when they become measurable and when it is not unreasonable to expect their ultimate collection.
- d) Income on business assets classified as Non-performing Assets, is recognised strictly in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies. Unrealized interest recognized as income in the previous period is reversed in the month in which the asset is classified as Non-performing.

## III. Subvention income:

Subvention received from manufacturers/dealers on vehicles financed is booked over the period of the contract.

## IV. Income from assignment/securitization transactions:

- A. Income accounted prior to the issuance of RBI Circular dated August 21, 2012 (the Circular):
  - i. In case of receivables assigned/securitised by the Company, the assets are de-recognised as all the rights, title, future receivables and interest thereof are assigned to the purchaser.
  - ii. On de-recognition, the difference between book value of the receivables assigned/securitised 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/securitisation.
  - iii. On the maturity of an underlying assignment/securitisation deal, estimated provision for loss/expenses and incidental

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

expenses in respect of the said deal are reversed as the actual losses/expenses have already been debited to the Statement of Profit and Loss over the period.

**B. Income accounted post the issuance of RBI Circular dated August 21, 2012 (the Circular):**

*i. Securitisation transactions:*

a. Securitised receivables are de-recognized in the balance sheet when they are sold i.e. if they fully meet the true sale criteria.

b. Gains arising on securitisation of assets are recognised over the tenure of securities issued by Special Purpose Vehicles Trust (SPV).

c. Company's contractual rights to receive the share of future interest (i.e. interest spread) in the transferred assets from the SPV is capitalised at the present value as Interest Only (I/O) strip with a corresponding liability created for unrealised gains on loan transfer transactions. The excess interest spread on the securitisation transactions are recognised in the Statement of Profit and Loss only when it is redeemed in cash by the SPV. Losses, if any, are recognised upfront.

*ii. Assignment transactions:*

a. Receivables under the assignment transactions are de-recognized in the balance sheet when they are sold subject to the portion of loan assets which is required under the Minimum Retention Criteria and reflected as Loans and Advances (refer note no. 13 and 18).

b. The amount of profit in cash on such transactions is held under an accounting head styled as "Cash profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at the end of every financial year based on the formula prescribed as per the Circular. The unamortized portion is reflected as "Other long-term liabilities"/"Other current liabilities" (refer note no. 4 and 8).

**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.

c) Interest income from investments made in structured instruments are accounted based on implicit rate built in such instruments.

**4) Fixed assets, depreciation and amortization:**

**a) Tangible assets:**

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

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

**b) Depreciation on Tangible assets:**

Depreciation on tangible assets is charged on Straight Line Method (SLM) in accordance with the useful lives specified in Schedule II to the Companies Act, 2013 on a pro-rata basis except for following assets in respect of which useful life is taken as estimated by the management based on the actual usage pattern of the assets.

a) Assets costing less than Rs.5,000/- are fully depreciated in the period of purchase.

b) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.

c) Repossessed assets, which are primarily used vehicles, that have been capitalised for own use are depreciated at the rate of 15% on SLM over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming part of Company's Tangible assets in note no. 10.

d) Residual value of the assets is considered as nil reflecting the estimate of realisable values at the end of the useful life of an asset.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**c) Intangible assets:**

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

**d) Amortization of Intangible assets:**

Intangible assets comprises of computer software which is amortized over the estimated useful life. The maximum period for such amortization is taken as 36 months based on management's estimates of useful life.

**5) Foreign exchange transactions and translations:**

**i. Initial recognition:**

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the transaction dates.

**ii. Conversion:**

a. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.

b. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

**iii. Exchange differences:**

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

a. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of Profit and Loss.

b. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.

**iv. Forward exchange and other derivative contracts entered into to hedge foreign currency risk of an existing asset/liability:**

a. In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate which is either a premium or discount arising at the inception of a forward contract is amortised over the life of the contract. Unamortised forward premium as at the year end is reflected as Other long-term/short-term liabilities depending on the period over which the premium is amortised.

b. Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the period in which the exchange rate changes.

c. Any profit or loss arising on cancellation or renewal of forward exchange contracts are recognised as income or expense for the period.

d. As per the risk management policy, the Company has taken foreign currency swap to cover the risk exposure on account of foreign currency loans. These transactions are structured in such a way that the Company's foreign currency liability is crystallized at a rate of exchange prevailing on the date of taking the swap. Accordingly, no loss or gain is expected on the settlement of swap as compared to the rate of exchange prevailing on the date of the swap. In such cases, foreign currency gain/losses on currency swap contracts are recognised to the extent of loss/gain on the underlying loan liabilities.

e. Interest rate swaps in the nature of hedge, taken to manage interest rate risk on foreign currency liabilities, whereby variable interest rate is swapped for fixed interest rate, are recognized on accrual basis at fixed interest rate and charged to the Statement of Profit and Loss.

**6) Investments:**

In terms of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, investments held as long-term investments are generally carried at cost comprising of acquisition and incidental expenses. Long-term investments in structured instruments are

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

carried at cost less principal repayments till reporting date. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income from investments. The book value of the investments is reduced to the extent of amount amortised during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

## 7) Loans against assets:

Loans against assets are stated at agreement value net of instalments received less unexpired finance charges.

## 8) Employee benefits:

### (a) Contribution to Provident Fund:

Company's contribution paid/payable during the year to provident fund is recognised in the Statement of Profit and Loss.

### (b) Gratuity:

The Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

### (c) Superannuation:

The Company makes contribution to the Superannuation scheme, a defined contribution scheme, administered by Life Insurance Corporation of India. Contributions are charged to the Statement of Profit and Loss. The Company has no obligation to the scheme beyond its contributions.

### (d) Leave encashment/compensated absences/sick leave:

The Company provides for the encashment/availment of leave with pay subject to certain

rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

## 9) Borrowing costs:

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. All other borrowing costs are charged to the Statement of Profit and Loss. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

## 10) Current and deferred tax:

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax 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 is accounted for using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date. 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. Other deferred tax assets are recognised only when there is a reasonable certainty of their realisation.

## 11) Share issue expenses:

Expenses incurred in connection with fresh issue of Share Capital are adjusted against Securities Premium Reserve in the year in which they are incurred.

## 12) Impairment of assets:

The carrying value of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor.

## 13) Provisions and contingent liabilities:

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

## 14) 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 (i.e. excess of market value of shares over the exercise price of the option at the date of grant). Compensation cost is amortized over the vesting period of the option on a straight line basis. The options which have lapsed are reversed by a credit to Employee compensation cost, equal to the amortised portion of value of lapsed portion and credit to Deferred employee compensation cost equal the unamortised portion.

## 15) Lease:

Lease rentals in respect of assets taken on operating lease arrangements are recognized as per the terms of the lease.

## 16) Earnings Per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, sub-division of shares etc. that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

## NOTES TO THE FINANCIAL STATEMENTS:

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 1 SHARE CAPITAL</b>		
<b>Authorised capital</b>		
70,00,00,000 equity shares of Rs. 2/- each	14,000.00	14,000.00
50,00,000 Redeemable preference shares of Rs. 100/- each	5,000.00	5,000.00
<b>Issued capital</b>		
56,87,64,960 equity shares of Rs. 2/- each	11,375.30	11,375.30
<b>Subscribed and paid-up capital</b>		
56,87,64,960 equity shares of Rs. 2/- each fully paid up	11,375.30	11,375.30
Less : Shares issued to ESOS Trust but not allotted to employees (41,63,582 equity shares of Rs. 2/- each (March 31, 2015: 46,24,289 equity shares of Rs. 2/- each))	83.27	92.49
<b>Total</b>	<b>11,292.03</b>	<b>11,282.81</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

	As at March 31			
	2016		2015	
	Number of shares	Rs. in Lacs	Number of shares	Rs. in Lacs
<b>a) Reconciliation of number of equity shares</b>				
Balance at the beginning of the year	56,87,64,960	11,375.30	56,87,64,960	11,375.30
Fresh allotment of shares	-	-	-	-
<b>Balance at the end of the year</b>	<b>56,87,64,960</b>	<b>11,375.30</b>	<b>56,87,64,960</b>	<b>11,375.30</b>
<b>b) Number of equity shares held by holding Company or ultimate holding Company including shares held by its subsidiaries/associates:</b>				
Holding Company : Mahindra & Mahindra Limited	29,12,07,660	5,824.15	29,12,07,660	5,824.15
Percentage of holding (%)	51.20%	51.20%	51.20%	51.20%
<b>c) Shareholders holding more than 5 percent shares:</b>				
Mahindra & Mahindra Limited	29,12,07,660	5,824.15	29,12,07,660	5,824.15
Percentage of holding (%)	51.20%	51.20%	51.20%	51.20%

**d) Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 2/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**e) Shares issued to ESOS Trust**

The Guidance note issued by The Institute of Chartered Accountants of India on accounting for employee share-based payment requires that shares allotted to a Trust but not transferred to the employees be reduced from Share capital and Reserves. Accordingly, the Company has reduced the Share capital by Rs. 83.27 Lacs (March 31, 2015 : Rs. 92.49 Lacs) in respect of 41,63,582 equity shares of face value of Rs.2/- each (March 31, 2015 : 46,24,289 equity shares of face value of Rs. 2/- each) pertaining to Employee Stock Option Scheme 2005 and Employee Stock Option Scheme 2010 and Securities premium reserve by Rs. 64.39 Lacs (March 31, 2015 : Rs. 64.39 Lacs) in respect of 7,85,275 equity shares (March 31, 2015 : 7,85,275 equity shares) pertaining to Employee Stock Option Scheme 2005 held by the Trust, as at the year-end pending allotment of shares to eligible employees.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 2 RESERVES AND SURPLUS:</b>		
<b>Capital redemption reserve:</b>		
Balance as at the beginning of the year	5,000.00	5,000.00
Add : Transfers during the year	-	-
	5,000.00	5,000.00
Less : Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Securities premium reserve:</b>		
Balance as at the beginning of the year	2,02,324.25	2,01,824.74
Add : Additions during the year on account of -		
- Exercise of employee stock options	928.15	499.51
	2,03,252.40	2,02,324.25
Less : Deductions during the year	-	-
Balance as at the end of the year	2,03,252.40	2,02,324.25
Less: Premium on shares issued to ESOS Trust but not allotted to employees pertaining to Employee Stock Option Scheme 2005	64.39	64.39
<b>Net balance</b>	<b>2,03,188.01</b>	<b>2,02,259.86</b>
<b>Statutory reserve:</b>		
Balance as at the beginning of the year	98,168.62	81,532.62
Add : Transfers from Surplus in the Statement of Profit and Loss	13,452.00	16,636.00
	1,11,620.62	98,168.62
Less : Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>1,11,620.62</b>	<b>98,168.62</b>
<b>General reserve:</b>		
Balance as at the beginning of the year	44,494.78	36,176.78
Add : Transfers from Surplus in the Statement of Profit and Loss	6,726.00	8,318.00
	51,220.78	44,494.78
Less : Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>51,220.78</b>	<b>44,494.78</b>
<b>Employees stock options outstanding:</b>		
<b>A) Employees stock options outstanding -</b>		
Balance as at the beginning of the year	5,241.45	1,333.81
Add : Fresh grant of options	139.10	4,465.00
	5,380.55	5,798.81
Less : Transfers/reversals during the year		
i) Transfers to Securities premium reserve on exercise of options	928.15	499.51
ii) Reversals for options lapsed	16.72	57.85
<b>Balance as at the end of the year (A)</b>	<b>4,435.68</b>	<b>5,241.45</b>
<b>B) Deferred employee compensation</b>		
Balance as at the beginning of the year	3,599.85	462.18
Add : Fresh grant of options	139.10	4,465.00
	3,738.95	4,927.18
Less : Amortisation during the year		
i) Transfers to employee compensation expenses	1,727.88	1,269.48
ii) Reversals for options lapsed	16.72	57.85
<b>Balance as at the end of the year (B)</b>	<b>1,994.35</b>	<b>3,599.85</b>
<b>Balance as at the end of the year (A-B)</b>	<b>2,441.33</b>	<b>1,641.60</b>



# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
<b>NOTE 2 RESERVES AND SURPLUS:</b>		
<b>Surplus in Statement of Profit and Loss:</b>		
Balance as at the beginning of the year	2,04,093.23	1,72,832.16
Less : Transitional depreciation charge (net of deferred tax) on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24)	-	317.77
	<b>2,04,093.23</b>	<b>1,72,514.39</b>
Add : Adjustment as per the Scheme of Amalgamation	-	529.87
Add : Profit for the year transferred from the Statement of Profit and Loss	67,259.60	83,177.59
	<b>2,71,352.83</b>	<b>2,56,221.85</b>
<b>Less : Appropriations</b>		
General reserve	6,726.00	8,318.00
Statutory reserve	13,452.00	16,636.00
Proposed dividend on equity shares	22,750.60	22,750.60
Corporate dividend tax on equity shares	4,376.27	4,424.02
	<b>47,304.87</b>	<b>52,128.62</b>
<b>Balance as at the end of the year</b>	<b>2,24,047.96</b>	<b>2,04,093.23</b>
<b>Total</b>	<b>5,97,518.70</b>	<b>5,55,658.09</b>

	Rs. in Lacs	
	As at March 31	
	2016	2015
<b>NOTE 3 LONG-TERM BORROWINGS</b>		
<b>a) Secured<sup>#</sup></b>		
Non-convertible debentures (refer note no. 44 (i) (a)) \$	7,30,390.00	3,57,040.00
Term loans		
- from banks (refer note no. 44 (ii) (a))	5,34,273.81	6,66,930.95
Foreign currency loans from banks (refer note no. 44 (iii) (a))	53,227.83	12,500.00
<b>Total</b>	<b>13,17,891.64</b>	<b>10,36,470.95</b>
<b>b) Unsecured</b>		
Unsecured bonds (Subordinate debts) (refer note no. 45 (i) (a))	1,18,410.00	1,00,910.00
Term loans from banks (refer note no. 45 (ii) (a))	-	10,000.00
Fixed deposits (refer note no. 45 (iv) (b))	2,96,866.01	3,31,333.83
<b>Total</b>	<b>4,15,276.01</b>	<b>4,42,243.83</b>
<b>Total (a+b)</b>	<b>17,33,167.65</b>	<b>14,78,714.78</b>

<sup>#</sup> All secured loans/debentures are secured by paripassu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans/debentures.

<sup>\$</sup> The funds raised by the Company during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 4 OTHER LONG-TERM LIABILITIES</b>		
Deposits/advances received against loan agreements (refer note no. 33)	2,338.12	1,804.53
Interest accrued but not due on borrowings	31,390.82	19,283.53
Deferred subvention income	2,296.12	2,508.93
Unrealised gains on loan transfers under securitisation transactions (refer note no. 36(c))	4,730.46	5,175.94
Cash profit on loan transfers under assignment transactions pending recognition	5.64	35.22
Premium payable to bank under forward exchange contracts on FCNR loans	2,501.83	1,440.00
<b>Total</b>	<b>43,262.99</b>	<b>30,247.97</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 5 LONG-TERM PROVISIONS</b>		
Provision for employee benefits (refer note no. 34)	1,000.81	1,140.24
<b>Others</b>		
- Provision for Non-performing assets (refer note no. 29 (a))	36,337.76	24,734.42
- Contingent provision for Standard assets (refer note no. 29 (b))	7,470.00	6,896.00
- Higher provision on restructured standard advances (refer note no. 29 (d))	8.52	17.77
- Provision for diminution in the fair value of restructured advances (refer note no. 29 (d))	3.90	7.62
<b>Total</b>	<b>44,820.99</b>	<b>32,796.05</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 6 SHORT-TERM BORROWINGS</b>		
<b>a) Secured #</b>		
Term loans from banks (refer note no. 46 (i))	28,100.00	72,700.00
Cash credit facilities with banks (refer note no. 46 (i))	81,834.60	59,105.33
<b>Total</b>	<b>1,09,934.60</b>	<b>1,31,805.33</b>
<b>b) Unsecured -</b>		
Loans and advances from related parties (ICDs) (refer note no. 45 (iii) (a))	30,925.00	850.00
Fixed deposits (refer note no. 45 (iv) (a))	17,829.68	6,943.06
Commercial Papers (CPs) (refer note no. 46 (ii))	2,76,000.00	3,47,500.00
<b>Total</b>	<b>3,24,754.68</b>	<b>3,55,293.06</b>
<b>Total (a+b)</b>	<b>4,34,689.28</b>	<b>4,87,098.39</b>

# All secured loans are secured by pari passu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 7 TRADE PAYABLES</b>		
<b>a) Trade payables of Micro, Small and Medium Enterprises</b>		
- Finance	-	-
- Expenses	-	-
<b>b) Trade payables other than Micro, Small and Medium Enterprises</b>		
- Finance	31,995.87	33,991.48
- Expenses	15,887.73	13,798.95
<b>Total</b>	<b>47,883.60</b>	<b>47,790.43</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 8 OTHER CURRENT LIABILITIES</b>		
<b>Current maturities of long-term debt</b>		
<b>a) Secured #</b>		
Non-convertible debentures (refer note no. 44 (i) (b)) \$	2,34,470.00	1,52,270.00
Foreign currency loans from banks (refer note no. 44 (iii) (b))	26,932.51	42,044.47
Term loans from banks (refer note no. 44 (ii) (b))	3,42,240.48	3,35,730.95
	<b>6,03,642.99</b>	<b>5,30,045.42</b>
<b>b) Unsecured -</b>		
Fixed deposits (refer note no. 45 (iv) (c))	1,63,730.66	1,29,746.50
Loans and advances from related parties (ICDs) (refer note no. 45 (iii) (c))	-	725.00
Term loans from banks (refer note no. 45 (ii) (b))	10,000.00	-
	<b>1,73,730.66</b>	<b>1,30,471.50</b>
Interest accrued but not due on borrowings	58,168.59	40,027.46
Unclaimed dividends	52.14	57.69
Deposits/advances received against loan agreements (refer note no. 33)	1,581.54	1,460.65
Amount received in advance from ESOS trust	147.66	156.88
Credit balances in current accounts with banks as per books	21,797.89	14,032.27
Deferred subvention income	2,108.73	2,284.76
Unrealised gains on loan transfers under securitisation transactions (refer note no. 36(c))	20,665.25	19,175.40
Cash profit on loan transfers under assignment transactions pending recognition	17.93	85.42
Insurance premium payable	2,947.33	3,840.65
Payables under assignment/securitisation transactions	1,871.91	2,932.13
Taxes deducted at source (TDS) and Service tax liability	3,154.82	3,009.23
Premium payable to banks under forward exchange contracts on FCNR loans	2,181.64	-
Others	2,553.34	1,184.74
<b>Total</b>	<b>8,94,622.42</b>	<b>7,48,764.20</b>

# All secured loans/debentures are secured by paripassu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans/debentures.

\$ The funds raised by the Company during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended, i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 9 SHORT-TERM PROVISIONS</b>		
Provision for employee benefits (refer note no. 34)	4,102.88	3,455.50
Others -		
- Provision for estimated loss/expenses on assignments	-	6,756.56
- Provision for Non-performing assets (refer note no. 29 (a))	1,12,875.42	71,882.66
- Contingent provisions for Standard assets (refer note no. 29 (b))	6,565.00	5,786.00
- Higher provisions on restructured standard advances (refer note No. 29 (d))	13.79	4.54
- Provision for diminution in the fair value of restructured advances (refer note No. 29 (d))	6.30	1.94
- Proposed dividend on equity shares #	22,750.60	22,750.60
- Corporate dividend distribution tax #	4,376.27	4,424.02
<b>Total</b>	<b>1,50,690.26</b>	<b>1,15,061.82</b>

# The Board of Directors have recommended a dividend of Rs. 4/- per share on equity shares of face value of Rs. 2/- each (March 31, 2015 : Rs. 4.00/- per share on equity shares of face value Rs. 2/- each) for the current financial year. The dividend will absorb a sum of Rs. 27,126.87 Lacs (March 31, 2015 : Rs. 27,174.62 Lacs) including corporate dividend distribution tax.

The Central Government in consultation with National Advisory Committee on Accounting Standards has amended Companies (Accounting Standards) Rules, 2006 ('principal rules'), vide notification issued by Ministry of Corporate Affairs dated March 30, 2016. The Companies (Accounting Standards) Rules, 2016 is effective March 30, 2016. According to the amended rules, the proposed dividend mentioned above need not be recorded as a liability as at March 31, 2016. (Refer Para 8.5 of AS-4 – Contingencies and Events occurring after Balance Sheet date). The Company believes that the Rule 3(2) of the principal rules has not been withdrawn or replaced and accordingly, the Companies (Accounting Standards) Rule, 2016 will apply for the accounting periods commencing on or after March 30, 2016. Therefore, the Company has recorded Rs. 27,126.87 lacs as liability for proposed dividends (including corporate dividend distribution tax) as at March 31, 2016.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Asset description	Gross Block at Cost				Depreciation & Amortisation				Net Block	
	As at April 1, 2015	Additions	Deductions/adjustments	As at April 1, 2015	Transitional depreciation#	Additions	Deductions/adjustments	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015
<b>ii) Tangible assets:</b>										
Premises	108.92	-	-	108.92	19.41	1.83	-	21.24	87.68	89.51
	<i>108.92</i>	-	-	<i>108.92</i>	<i>17.59</i>	<i>1.82</i>	-	<i>19.41</i>	<i>89.51</i>	<i>91.33</i>
Computers	5,021.18	805.07	277.74	5,548.51	3,573.68	790.10	277.61	4,086.17	1,462.34	1,447.50
	<i>4,096.06</i>	<i>970.18</i>	<i>45.06</i>	<i>5,021.18</i>	<i>2,099.10</i>	<i>401.44</i>	<i>45.06</i>	<i>3,573.68</i>	<i>1,447.50</i>	<i>1,996.96</i>
Furniture and fixtures	6,816.95	608.85	66.54	7,359.26	2,857.03	809.10	57.21	3,608.92	3,750.34	3,959.92
	<i>6,252.18</i>	<i>583.19</i>	<i>18.42</i>	<i>6,816.95</i>	<i>2,032.83</i>	<i>36.38</i>	<i>12.02</i>	<i>2,857.03</i>	<i>3,959.92</i>	<i>4,219.35</i>
Vehicles	5,168.15	994.08	417.06	5,745.17	2,806.47	854.97	312.97	3,348.47	2,396.70	2,361.68
	<i>4,836.17</i>	<i>530.54</i>	<i>198.56</i>	<i>5,168.15</i>	<i>2,094.53</i>	<i>1.86</i>	<i>113.01</i>	<i>2,806.47</i>	<i>2,361.68</i>	<i>2,741.64</i>
Office equipments	5,998.54	1,646.90	326.64	7,318.80	3,349.41	1,194.54	320.00	4,223.95	3,094.85	2,649.13
	<i>4,596.45</i>	<i>1,432.65</i>	<i>30.56</i>	<i>5,998.54</i>	<i>2,209.48</i>	<i>41.71</i>	<i>28.71</i>	<i>3,349.41</i>	<i>2,649.13</i>	<i>2,386.97</i>
<b>Total (i)</b>	<b>23,113.74</b>	<b>4,054.90</b>	<b>1,087.98</b>	<b>26,080.66</b>	<b>12,606.00</b>	<b>- 3,650.54</b>	<b>967.79</b>	<b>15,288.75</b>	<b>10,791.91</b>	<b>10,507.74</b>
	<i>19,889.78</i>	<i>3,516.56</i>	<i>292.60</i>	<i>23,113.74</i>	<i>8,453.53</i>	<i>481.39</i>	<i>198.80</i>	<i>12,606.00</i>	<i>10,507.74</i>	<i>11,436.25</i>
<b>ii) Intangible assets:</b>										
Computer software	1,868.29	527.53	-	2,395.82	1,402.25	438.27	-	1,840.52	555.30	466.04
	<i>1,614.60</i>	<i>253.69</i>	<i>-</i>	<i>1,868.29</i>	<i>1,120.50</i>	<i>281.75</i>	<i>-</i>	<i>1,402.25</i>	<i>466.04</i>	<i>494.10</i>
<b>Total (ii)</b>	<b>1,868.29</b>	<b>527.53</b>	<b>-</b>	<b>2,395.82</b>	<b>1,402.25</b>	<b>438.27</b>	<b>-</b>	<b>1,840.52</b>	<b>555.30</b>	<b>466.04</b>
	<i>1,614.60</i>	<i>253.69</i>	<i>-</i>	<i>1,868.29</i>	<i>1,120.50</i>	<i>281.75</i>	<i>-</i>	<i>1,402.25</i>	<i>466.04</i>	<i>494.10</i>
<b>Total (i+ii)</b>	<b>24,982.03</b>	<b>4,582.43</b>	<b>1,087.98</b>	<b>28,476.48</b>	<b>14,008.25</b>	<b>- 4,088.81</b>	<b>967.79</b>	<b>17,129.27</b>	<b>11,347.21</b>	<b>10,973.78</b>
	<i>21,504.38</i>	<i>3,770.25</i>	<i>292.60</i>	<i>24,982.03</i>	<i>9,574.03</i>	<i>481.39</i>	<i>198.80</i>	<i>14,008.25</i>	<i>10,973.78</i>	<i>11,930.35</i>

Previous year figures are in Italics.

# represents transitional depreciation charge adjusted in opening balance of Surplus in Statement of Profit and Loss on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24).

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 11 NON-CURRENT INVESTMENTS</b>		
<b>A) Quoted (at cost) : Trade</b>		
Government securities (refer note no. 11 (i))	63,220.81	50,612.79
Secured redeemable non-convertible debentures (refer note no. 11 (ii) (a))	2,000.01	5,354.17
(Non-current portion of long term investments in secured redeemable non-convertible debentures)		
<b>(A)</b>	<b>65,220.82</b>	<b>55,966.96</b>
<b>B) Unquoted (at cost) : Non-trade</b>		
<b>(a) Equity investment in subsidiary companies:</b>		
Mahindra Insurance Brokers Limited	47.98	47.98
(21,90,722 equity shares of face value of Rs. 10/- each fully paid up)		
Mahindra Rural Housing Finance Limited		
- Fully paid-up : (6,62,63,043 equity shares of Rs. 10/- each fully paid up, of which 1,75,20,003 equity shares are at a premium of Rs. 15/- per share and 87,43,040 equity shares are at a premium of Rs. 30/- per share)	11,877.22	8,380.00
(March 31, 2015 : 5,75,20,003 equity shares of Rs. 10/- each fully paid up, of which 1,75,20,003 equity shares are at a premium of Rs. 15/- per share)		
Mahindra Asset Management Company Private Ltd. (refer note no. 11 (iii) (b) and 11(iv))	6,055.00	105.00
- Fully paid-up: (6,05,50,000 equity shares of Rs. 10/- each)		
(March 31, 2015: 10,50,000 equity shares of Rs. 10/- each fully paid up)		
Mahindra Trustee Company Private Ltd. (refer note no. 11 (iii) (c))	15.00	5.00
1,50,000 equity shares of Rs. 10/- each fully paid up (March 31, 2015 : 50,000 equity shares of Rs. 10/- each fully paid up)		
<b>(B)</b>	<b>17,995.20</b>	<b>8,537.98</b>
<b>(b) Equity investment in Joint Venture:</b>		
49% Ownership in Mahindra Finance USA, LLC (refer note no. 11 (iii) (d)) (Joint venture entity with De Lage Landen Financial Services INC. in United States of America)	15,317.32	10,787.01
<b>(c) Equity investment in other entities:</b>		
New Democratic Electoral Trust (500 equity shares of Rs. 10/- each fully paid up)	0.05	0.05
<b>(B)</b>	<b>33,312.57</b>	<b>19,325.04</b>
<b>(d) Investment in Bonds/Debentures:</b>		
70 11% Unsecured redeemable non-convertible subordinate debentures issued by Mahindra Rural Housing Finance Limited (Tenure : 5 years and 6 months ; Maturity : 28th Dec, 2018)	700.00	700.00
<b>(B)</b>	<b>34,012.57</b>	<b>20,025.04</b>
<b>Total (A + B)</b>	<b>99,233.39</b>	<b>75,992.00</b>
<b>Additional Information:</b>		
a) Aggregate amount of quoted investments and market value -		
i) Aggregate amount	65,220.82	55,966.96
ii) Market value	67,928.16	58,916.61
b) Aggregate amount of unquoted investments	34,012.57	20,025.04

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## i) Details of quoted Long-term investments in Government stock: As at March 31, 2016:

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Govt Stock 10.25%-30/05/2021	100	1000000	1,070.70
Govt Stock 8.20%-15/02/2022	100	1000000	1,005.27
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.54
Govt Stock 8.13%-21/09/2022	100	1500000	1,506.11
Govt Stock 8.13%-21/09/2022	100	500000	490.95
Govt Stock 8.13%-21/09/2022	100	500000	490.71
Govt Stock 8.13%-21/09/2022	100	1000000	955.80
Govt Stock 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,030.88
Govt Stock 9.15%-14/11/2024	100	2500000	2,648.71
Govt Stock 9.15%-14/11/2024	100	1000000	1,099.95
MP SDL 8.15%-13/11/2025	100	2500000	2,501.01
TN SDL 8.27%-23/12/2025	100	1000000	1,002.00
UP SDL 8.39% 27/01/2026	100	500000	500.66
UP SDL 8.39% 27/01/2026	100	1000000	1,001.31
Govt Stock 8.33%-09/07/2026	100	2000000	2,062.09
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.24%-15/02/2027	100	1000000	1,016.75
Govt Stock 8.28%-21/09/2027	100	1500000	1,380.75
Govt Stock 8.28%-21/09/2027	100	2000000	1,868.10
Govt Stock 8.28%-21/09/2027	100	2000000	1,867.90
Govt Stock 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.33
Govt Stock 8.97%-05/12/2030	100	1000000	1,026.39
Govt Stock 8.97%-05/12/2030	100	1000000	1,027.65
Govt Stock 8.97%-05/12/2030	100	500000	515.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,031.33
Govt Stock 8.97%-05/12/2030	100	500000	524.88
Govt Stock 8.97%-05/12/2030	100	1000000	1,040.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,594.21
Govt Stock 8.97%-05/12/2030	100	1000000	1,104.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,088.07
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,191.79
Govt Stock 8.28%-15/02/2032	100	2500000	2,401.50
Govt Stock 8.32%-02/08/2032	100	1000000	1,010.56
Govt Stock 8.32%-02/08/2032	100	1000000	1,031.88
Govt Stock 8.24%-10/11/2033	100	1000000	1,026.53
Govt Stock 8.33%-07/06/2036	100	1500000	1,549.82
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.83%-12/12/2041	100	1000000	1,017.45
Govt Stock 8.83%-12/12/2041	100	1000000	1,022.75
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
<b>Total</b>		<b>63500000</b>	<b>63,220.81</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

As at March 31, 2015:

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Govt Stock 10.25%-30/05/2021	100	1000000	1,084.47
Govt Stock 8.13%-21/09/2022	100	1500000	1,507.06
Govt Stock 8.20%-15/02/2022	100	1000000	1,006.17
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.80
Govt Stock 8.13%-21/09/2022	100	500000	490.95
Govt Stock 8.13%-21/09/2022	100	500000	490.71
Govt Stock 8.13%-21/09/2022	100	1000000	955.80
Govt Stock 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,034.93
Govt Stock 9.15%-14/11/2024	100	2500000	2,666.00
Govt Stock 9.15%-14/11/2024	100	1000000	1,111.57
Govt Stock 8.28%-21/09/2027	100	1500000	1,380.75
Govt Stock 8.28%-21/09/2027	100	2000000	1,868.10
Govt Stock 8.28%-21/09/2027	100	2000000	1,867.90
Govt Stock 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,028.19
Govt Stock 8.97%-05/12/2030	100	1000000	1,029.53
Govt Stock 8.97%-05/12/2030	100	500000	516.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,033.47
Govt Stock 8.97%-05/12/2030	100	500000	526.58
Govt Stock 8.97%-05/12/2030	100	1000000	1,042.83
Govt Stock 8.97%-05/12/2030	100	1500000	1,600.64
Govt Stock 8.97%-05/12/2030	100	1000000	1,111.60
Govt Stock 8.97%-05/12/2030	100	1000000	1,094.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,204.88
Govt Stock 8.28%-15/02/2032	100	2500000	2,401.50
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.83%-12/12/2041	100	1000000	1,018.13
Govt Stock 8.83%-12/12/2041	100	1000000	1,023.64
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
<b>Total</b>		<b>51000000</b>	<b>50,612.79</b>

Quoted investments of Rs. 63,220.81 Lacs (March 31, 2015: Rs. 50,612.79 Lacs) are in 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 January 04, 2007 issued by The Reserve Bank of India.



# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## ii) Details of investments in Secured redeemable non-convertible debentures:

As at March 31, 2016:

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. in Lacs)	(a) Non Current	(b) Current	Total
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
8	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	100	1000	-	250.00	250.00
9	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	200	2000	-	833.33	833.33
10	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	150	1500	-	375.00	375.00
11	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
12	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
13	INTREPID FINANCE AND LEASING PRIVATE LIMITED SR-F 13 XIRR NCD 28AG17 FVRS750000	80	800	166.67	400.00	566.67
14	LIGHT MICROFINANCE PRIVATE LIMITED SR-F 13.6 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
15	M POWER MICROFINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
16	SAIJA FINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	80	800	166.67	400.00	566.67
17	SATIN CREDITCARE NETWORK LIMITED SR-F 12.3 XIRR NCD 28AG17 FVRS10LAC	300	3000	625.00	1,500.00	2,125.00
18	SV CREDITLINE PVT. LTD. SR-F 12.75 XIRR NCD 28AG17 FVRS10LAC	200	2000	416.67	1,000.00	1,416.67
19	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 12.75 XIRR NCD 28AG17 FVRS750000	150	1500	312.50	750.00	1,062.50
<b>Total</b>				<b>2,000.01</b>	<b>9,279.17</b>	<b>11,279.18</b>

**Note :** Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of the issue.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

As at March 31, 2015:

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. In Lacs)	(a) Non Current	(b) Current	Total
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	100	1000.00	416.67	500.00	916.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	100	1000.00	416.67	500.00	916.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.5	375.00	562.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
8	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	100	1000.00	250.00	500.00	750.00
9	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
10	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	100	1000.00	250.00	500.00	750.00
11	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	200	2000.00	833.33	1,000.00	1,833.33
12	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	150	1500.00	375.00	750.00	1,125.00
13	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
14	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
<b>Total</b>				<b>5,354.17</b>	<b>7,875.00</b>	<b>13,229.17</b>

**Note:** Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of the issue.

iii) During the year, the Company has made following equity investments –

a) Rs. 3,497.22 Lacs (March 31, 2015 : Rs. 2,190.00 Lacs) in Mahindra Rural Housing Finance Ltd., its subsidiary, by subscription to 87,43,040 Equity shares of Rs. 10/- each for cash at a premium of Rs. 30/- per Equity share on a rights basis on which Rs. 40/- per

Equity share (including premium of Rs. 30/- per Equity share) has been fully paid up.

b) Rs. 5,950.00 Lacs (March 31, 2015 : Rs. 100.00 Lacs) in Mahindra Asset Management Company Private Limited, its wholly owned subsidiary, by subscription to 5,95,00,000 Equity shares of Face Value of Rs. 10/- each at par for cash fully paid up on a rights basis.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

- c) Rs. 10.00 Lacs (March 31, 2015 : Rs. 5.00 Lacs) in Mahindra Trustee Company Private Limited, a wholly owned subsidiary, by subscription to 1,00,000 Equity shares of Face Value of Rs. 10/- each at par for cash fully paid up on a rights basis.
- d) Rs. 4,530.31 Lacs equivalent to US \$ 6.96 million (March 31, 2015 : Rs. 2,998.96 Lacs equivalent to US \$ 4.92 million) being additional equity infusion in Mahindra Finance USA LLC,
- a 49% joint venture Company formed jointly with De Lage Landen Financial Services Inc. in United States.
- iv) During the year, the Securities Exchange Board of India (SEBI) has granted Certificate of Registration to 'Mahindra Mutual Fund' along with an approval to Mahindra Asset Management Company Private Limited, a wholly owned subsidiary, to act as the Asset Management Company to 'Mahindra Mutual Fund'.

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 12 DEFERRED TAX ASSETS (NET)</b>		
<b>a) Deferred tax assets</b>		
Provision for non performing assets/loss and expenses on assignments	51,650.95	35,779.54
Provision on standard assets	4,857.23	4,388.99
Other disallowances	1,083.16	694.6
Difference between written down value as per books of account and Income Tax Act, 1961	936.30	663.04
<b>(a)</b>	<b>58,527.64</b>	<b>41,526.17</b>
<b>b) Deferred tax liabilities</b>		
Difference between written down value as per books of account and Income Tax Act, 1961	-	-
<b>(b)</b>	<b>-</b>	<b>-</b>
<b>Net Deferred tax assets (a) - (b)</b>	<b>58,527.64</b>	<b>41,526.17</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 13 LONG-TERM LOANS AND ADVANCES</b>		
<b>Unsecured, considered good unless otherwise stated:</b>		
Capital advances	7.08	238.55
Deposits for office premises/others	2,052.59	1,834.70
Loans against assets (secured, including overdue loans) #	18,30,167.57	16,84,606.43
Retained interest in Pass Through Certificates under securitization transactions (refer note no. 49 (IV) (a))	162.02	403.46
Retained interest under assignment transactions	150.75	257.64
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 36(c))	4,730.45	5,175.94
Loans and advances (including overdue loans) @	4,448.73	3,195.52
Inter corporate deposits	-	4,656.50
# Includes non-performing assets of Rs. 66,283.31 Lacs (March 31, 2015 : Rs. 45,782.78 Lacs) (refer note no. 5, 9 and 29 (a))		
@ Includes non-performing assets of Rs. 387.57 Lacs (March 31, 2015: Rs. 214.80 Lacs) (refer note no. 5, 9 and 29 (a))		
<b>Total</b>	<b>18,41,719.19</b>	<b>17,00,368.74</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 14 OTHER NON-CURRENT ASSETS</b>		
Term deposits with banks with original maturity greater than 12 months		
- Free	-	4,086.77
- Under lien (refer note no. 17 (a))	3,310.23	18,354.12
Derivative contract receivables	459.52	-
Exchange gain receivable on forward contract on FCNR loans	391.45	168.00
Deferred premium on FCNR loan forward contracts	1,015.24	594.57
<b>Total</b>	<b>5,176.44</b>	<b>23,203.46</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 15 CURRENT INVESTMENTS</b>		
<b>i) Quoted -</b>		
Secured redeemable non-convertible debentures (refer note no. 11 (ii) (b)) (Current portion of long term investments in secured redeemable non-convertible debentures)	9,279.17	7,875.00
	<b>9,279.17</b>	<b>7,875.00</b>
<b>ii) Unquoted (at cost):</b>		
Certificate of deposits with banks #	24,821.50	-
Commercial Papers	15,000.00	1,500.00
(1500 CP instruments, face value of Rs. 5.00 Lacs per CP issued by IMFR Capital Finance Private Limited and 1500 CP instruments, face value of Rs. 5.00 Lacs per CP issued by Janalakshmi Financial Services Limited ; March 31, 2015 : 300 CP instruments, face value of Rs. 5.00 Lacs per CP issued by IKF Finance Limited)		
	<b>39,821.50</b>	<b>1,500.00</b>
<b>Total</b>	<b>49,100.67</b>	<b>9,375.00</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>ADDITIONAL INFORMATION:</b>		
Aggregate amount of quoted investments and market value -		
i) Aggregate amount	9,279.17	7,875.00
ii) Market Value*	9,279.17	7,875.00
Aggregate amount of unquoted investments	39,821.50	1,500.00

\* Book value is taken as market value since market quotes are not available in the absence of trades.

## # Details of unquoted current investments in certificate of deposits:

As at March 31, 2016:

Particulars	Face Value (Rs.)	Units	Amount
IDBI BANK	100000	5000	4,992.89
IDBI BANK	100000	10000	9,982.22
ORIENTAL BANK OF COMMERCE	100000	10000	9,846.39
<b>Total</b>		<b>25000</b>	<b>24,821.50</b>

As at March 31, 2015 : Nil

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 16 TRADE RECEIVABLES</b>		
<b>Secured, considered doubtful unless otherwise stated:</b>		
Trade receivable on hire purchase transactions # (outstanding for a period exceeding six months)	374.19	375.53
<b>Unsecured, considered good unless otherwise stated:</b>		
Debts outstanding for a period exceeding six months	-	29.08
Debts outstanding for a period not exceeding six months	137.05	162.64
# Includes non-performing assets of Rs. 374.19 Lacs (March 31, 2015: Rs. 375.53 Lacs) (refer note no. 5, 9 and 29 (a))		
<b>Total</b>	<b>511.24</b>	<b>567.25</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 17 CASH AND BANK BALANCE</b>		
<b>Cash and cash equivalents:</b>		
- Cash on hand	2,254.23	1,622.33
- Cheques and drafts on hand	544.34	296.98
- Balances with banks in current accounts	19,078.38	17,203.64
	<b>21,876.95</b>	<b>19,122.95</b>
<b>Other bank balances:</b>		
Earmarked balances with banks		
- Unclaimed dividend accounts	53.45	59.01
Term deposits with original maturity of greater than 12 months with remaining maturity up to 12 months	92.00	-
Term deposits under lien (refer note no. 17 (a))	36,880.77	28,755.88
	<b>37,026.22</b>	<b>28,814.89</b>
<b>Total</b>	<b>58,903.17</b>	<b>47,937.84</b>

## a) Details of Term deposits #

Rs. in Lacs

	As at March 31, 2016			As at March 31, 2015		
	Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
(i) Term deposits for SLR	15,307.00	2,470.00	17,777.00	10,783.00	13,722.00	24,505.00
(ii) Collateral deposits for securitization transactions	21,380.77	513.23	21,894.00	17,469.88	4,615.12	22,085.00
(iii) Legal deposits	3.00	17.00	20.00	3.00	17.00	20.00
(iv) Margin deposits towards Constituent Subsidiary General Ledger (CSGL) account	190.00	310.00	500.00	500.00	-	500.00
<b>Total</b>	<b>36,880.77</b>	<b>3,310.23</b>	<b>40,191.00</b>	<b>28,755.88</b>	<b>18,354.12</b>	<b>47,110.00</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## # Term deposits with scheduled banks under lien include:

- i) Rs. 17,777.00 Lacs (March 31, 2015 : Rs. 24,505.00 Lacs) being the Term deposits kept with 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 January 04, 2007 issued by The Reserve Bank of India.
- ii) Rs. 21,894.00 Lacs (March 31, 2015 : Rs. 22,085.00 Lacs) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitization transactions (refer note no. 49 (IV)).
- iii) Rs. 20.00 Lacs (March 31, 2015 : Rs. 20.00 Lacs) as special deposits kept with banks towards guarantee against legal suits filed by the Company.
- iv) Rs. 500.00 Lacs (March 31, 2015 : 500.00 lacs) as collateral deposits kept with banks towards Constituent Subsidiary General Ledger (CSGL) account for holding securities for SLR purpose.

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 18 SHORT-TERM LOANS AND ADVANCES</b>		
<b>Unsecured, considered good unless otherwise stated:</b>		
Loans against assets (secured, including overdue loans) #	16,05,215.52	14,19,030.81
Retained interest in Pass Through Certificates (PTC) under securitization transactions (refer note no. 49 (IV) (a))	310.32	839.89
Retained interest under assignment transactions	143.30	524.46
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 36 (c))	20,665.26	19,175.40
Loans and advances (including overdue loans) @	12,647.00	13,532.09
Bills of exchange	29,447.55	14,955.03
Trade Advances @	1,16,616.51	1,05,574.35
Inventory funding (secured, including overdue loans)	21,752.81	9,896.55
Inter corporate deposits to related parties @	4,756.50	100.00
Deposits for office premises/others	371.44	364.99
Advance payment of taxes (net of provisions)	10,927.38	6,597.29
Other short term advances	1,202.08	2,015.98
# Includes non-performing assets of Rs. 2,03,237.01 Lacs (March 31, 2015: Rs. 1,30,013.83 Lacs) (refer note no. 5, 9 and 29 (a))		
@ Includes non-performing assets of Rs. 2,442.47 Lacs (March 31, 2015 : Rs. 2,050.78 Lacs) (refer note no. 5, 9 and 29 (a))		
<b>Total</b>	<b>18,24,055.67</b>	<b>15,92,606.84</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 19 OTHER CURRENT ASSETS</b>		
Interest accrued on		
- Investments	1,233.46	958.94
- Other deposits	3,908.65	2,365.55
Derivative contracts receivables	-	784.47
Exchange gains receivable on forward contract on FCNR loans	888.13	-
Deferred premium on FCNR loan forward contracts	3,341.21	722.96
<b>Total</b>	<b>9,371.45</b>	<b>4,831.92</b>

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 20 REVENUE FROM OPERATIONS</b>		
<b>a) Interest Income</b>		
Income from loans	5,27,653.45	4,93,711.72
Income from hire purchase	26.09	31.64
Interest on term deposits/Inter-corporate deposits/Bonds etc.	6,918.09	6,133.18
Interest on retained interest in PTCs under securitization transactions	43.55	97.12
Interest on Government securities - Long term	4,710.02	3,710.69
	<b>(a) 5,39,351.20</b>	<b>5,03,684.35</b>
<b>b) Other financial services</b>		
Service charges and other fees on loan transactions	22,282.68	22,280.14
Income from hire purchase	0.13	0.20
Income from bill discounting	3,047.41	2,018.08
Income from lease	1.24	0.51
Income from assignment/securitisation transactions (refer note no. 36)	20,633.45	25,622.33
	<b>(b) 45,964.91</b>	<b>49,921.26</b>
<b>Total (a+b)</b>	<b>5,85,316.11</b>	<b>5,53,605.61</b>

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 21 OTHER INCOME</b>		
Dividend income on		
- Current investments in mutual fund units	48.15	84.09
- Long-term investments in subsidiary companies	1,021.60	755.43
Profit/premium on sale/redemption of		
- Current investments	-	468.64
Profit on sale/retirement of owned assets (net)	107.10	14.99
Income from shared services	3,595.55	2,932.95
Others	421.54	608.89
<b>Total</b>	<b>5,193.94</b>	<b>4,864.99</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 22 EMPLOYEES BENEFITS EXPENSE</b>		
Salary, bonus and incentives	48,915.58	40,218.39
Company's contribution to Provident Fund and other funds	3,672.48	3,073.18
Employee Stock Compensation costs (refer note no. 28 (g)) #	1,431.06	1,065.33
Staff welfare expenses	1,861.62	1,551.30
<b>Total</b>	<b>55,880.74</b>	<b>45,908.20</b>

# Inclusive of ESOP costs reimbursements (net) to the holding Company Rs. 17.24 Lacs (March 31, 2015 : Rs. 19.15 Lacs) and net of recoveries from subsidiary Company Rs. 314.06 Lacs (March 31, 2015 : Rs. 223.30 Lacs).

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 23 FINANCE COSTS</b>		
Interest expenses	2,61,524.81	2,47,405.42
Other borrowing costs	2,404.38	2,267.71
<b>Total</b>	<b>2,63,929.19</b>	<b>2,49,673.13</b>

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 24 DEPRECIATION AND AMORTIZATION EXPENSE</b>		
Depreciation on tangible assets	3,650.54	3,869.88
Amortization of intangible assets	438.27	281.75
<b>Total</b>	<b>4,088.81</b>	<b>4,151.63</b>

Consequent to the enactment of the Act, the Company had, in the year ended March 31, 2015, recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II to the Act or as assessed by the management (refer Accounting Policies, Note no.4 (b)). This had resulted in additional charge of depreciation of Rs. 1,384.02 lacs for the year ended March 31, 2015. Further, as per the transitional provision, carrying value of assets of Rs. 317.77 lacs (net of Deferred tax of Rs. 163.62 lacs) was adjusted in the opening balance of retained earnings in respect of assets where the remaining useful life was NIL as at April 01, 2014.

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 25 LOAN PROVISIONS AND WRITE OFFS</b>		
Bad debts and write offs (refer note no. 29 (c))	51,003.24	48,401.00
Provisions for Non-performing assets (net) (refer note no. 5,9 and 29 (a))	52,596.10	33,259.02
General provisions for Standard assets (refer note no. 5,9 and 29 (b))	1,353.00	1,057.00
Higher provisions on restructured standard advances (refer note no. 5,9 and 29 (d))	-	22.31
Provisions for diminution in the fair value of restructured advances (refer note no. 5,9 and 29 (d))	0.64	9.56
<b>Total</b>	<b>1,04,952.98</b>	<b>82,748.89</b>



# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
<b>NOTE 26 OTHER EXPENSES</b>		
Electricity charges	1,850.42	1,608.17
Rent	6,384.04	5,440.30
Repairs and maintenance		
- Buildings	483.46	370.96
- Others	280.09	212.47
Insurance	1,422.74	1,133.17
Rates and taxes, excluding taxes on income	510.81	342.62
Directors' sitting fees and commission	294.55	214.63
Commission and brokerage	17,250.70	16,271.72
Legal and professional charges	7,235.57	5,867.51
Manpower outsourcing cost	184.73	33.87
Payments to the auditor		
- Audit fees	44.31	34.40
- Taxation matters	7.95	4.68
- Other services	35.08	16.75
- Reimbursement of expenses	1.28	0.72
Corporate Social Responsibility donations and expenses (refer note no. 39)	2,905.95	2,487.63
General and administrative expenses	18,948.52	16,584.75
<b>Total</b>	<b>57,840.20</b>	<b>50,624.35</b>

Above expenses include following expenditure incurred in foreign currency

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Travelling expenses	1.63	10.62
Legal and professional fees	122.91	126.68
Other expenses	10.26	26.10

**NOTE 27** Disclosure under the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS-27).

The Company has interest in the following jointly controlled entity

Name of the entity	Country of Incorporation	% Holding
i) Mahindra Finance USA, LLC	United States of America	49.00%

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

ii) Interest in the assets, liabilities, income and expenses with respect to jointly controlled entities

Rs. in Lacs

Particulars	As at March 31	
	2016	2015
<b>I. ASSETS</b>		
1 Long-term loans and advances	1,94,636.77	1,34,793.06
2 Deferred tax assets	735.90	451.68
3 Cash and cash equivalents	624.49	266.35
4 Short-term loans and advances	47,754.42	31,788.75
<b>II. LIABILITIES</b>		
1 Long-term borrowings	1,08,561.47	75,101.31
2 Other Long-term liabilities	-	-
3 Long term provisions	727.01	430.29
4 Short term borrowings	55,269.45	36,064.29
5 Other current liabilities	56,052.27	40,044.49
6 Short term provisions	176.84	100.71
<b>III. INCOME</b>		
1 Revenue from operations	10,048.49	6,602.74
2 Other income	635.97	365.65
<b>IV. EXPENSES</b>		
1 Finance costs	3,918.39	2,492.20
2 Provisions and write-offs	973.53	327.88
3 Other expenses	2,913.69	2,021.86
4 Provision for current tax	1,294.04	893.55
5 Provision for deferred tax	(254.18)	(129.08)

## NOTE 28 EMPLOYEE STOCK OPTION PLAN

a) The Company had allotted 1,34,32,750 equity shares (face value of Rs. 2/- each) under Employee Stock Option Scheme 2005 at a premium of Rs.8.20 per share on December 06, 2005 and 48,45,025 Equity shares (face value of Rs. 2/- each) under Employee Stock Option Scheme 2010 at par on February 03, 2011, to Mahindra and Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company. The Trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the Compensation Committee. The Trust had issued 1,41,14,193 equity shares to employees up to March 31, 2016 (March 31, 2015 : 1,36,53,486 equity shares), of which 4,60,707 equity shares (March 31, 2015 : 6,15,552 equity shares) were issued during the current year. All the equity shares issued to employees during the current year are out of Employee Stock Option Scheme 2010.

The details of Employees stock option schemes are as under:

	Scheme 2005	Scheme 2010
Type of arrangement	Employees share based payment plan administered through ESOS Trust	Employees share based payment plan administered through ESOS Trust
Contractual life	6 years from the date of grant	3 years from the date of vesting
Method of settlement	By issue of shares at exercise price	By issue of shares at exercise price
Vesting conditions	35% on expiry of 12 months from the date of grant	20% on expiry of 12 months from the date of grant
	25% on expiry of 24 months from the date of grant	20% on expiry of 24 months from the date of grant
	20% on expiry of 36 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	20% on expiry of 48 months from the date of grant
	10% on expiry of 60 months from the date of grant	20% on expiry of 60 months from the date of grant

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

- b) The details of modification to Employee Stock Option Scheme (extension of exercise period):  
The Nomination and Remuneration Committee of the Board of Directors of Mahindra & Mahindra Financial Services Limited at its Meeting held on 23rd April, 2015, has approved the extension of the exercise period to 36 months from the date of vesting as against the current period of 6 months in respect of the stock options granted under the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme 2010.

The details of increase/(decrease) in fair value as a result of extension of the exercise period are as follows:

Sr. No.	Scheme Name	Grant date	Fair value per option on the date of grant (Rs.)	Pre modification fair value per option (Rs.)	Post modification fair value per option (Rs.)	Increase/(decrease) in fair value per option (Rs.)
1	ESOS 2010	25-Jan-2012	117.31	276.65	273.82	(2.83)
2	ESOS 2010	22-Jul-2013	198.64	272.99	268.41	(4.58)
3	ESOS 2010	21-Oct-2013	259.46	272.25	267.57	(4.68)
4	ESOS 2010	21-Oct-2014	267.23	268.69	264.07	(4.62)

As per the requirements of paragraph 24 of the Guidance Note on Accounting for Employee Share-based payments issued by the Institute of Chartered Accountants of India (ICAI), the Company has not taken into account above decrease in fair value measured immediately before and after modification of the terms and conditions and hence continued to measure the amount recognised for services received as consideration for the stock options based on the grant date fair value of the stock options granted.

- c) During the year, the Company has granted 57,920 stock options to the eligible employees under the Employees' Stock Option Scheme 2010. The details are as under:

	Grant dated October 21, 2015
No. of options granted	57,920
Intrinsic value of shares based on latest available closing market price (Rs.)	240.15
Total amount to be amortized over the vesting period (Rs. in Lacs)	139.10
Charge to Statement of Profit and Loss for the year (Rs. in Lacs)	31.76
Compensation in respect of lapsed cases (Rs. in Lacs)	-
Unamortized amount carried forward (Rs. in Lacs)	107.34

The fair value of options, based on the valuation of the independent valuer as on the date of grant are:

	Grant dated October 21, 2015	
Vesting date	Expected Vesting	Fair Value (Rs.) per share
October 21, 2016	11584	
October 21, 2017	11584	
October 21, 2018	11584	
October 21, 2019	11584	223.42
October 21, 2020	11584	
	<b>57920</b>	

The key assumptions used in black-scholes model for calculating fair value as on the date of grant are:

Variables #	Grant dated October 21, 2015
1) Risk free interest rate	7.53%
2) Expected life	4.50 years
3) Expected volatility	37.37%
4) Dividend yield	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	242.15

# the values mentioned against each of the variables are based on the weighted average percentage of vesting.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

d) Summary of stock options

Summary of Stock Options	As at/Year ended March 31			
	2016		2015	
	No. of stock options	Weighted average exercise price (Rs.)	No. of stock options	Weighted average exercise price (Rs.)
Options outstanding at the beginning of the year	21,22,955	2.00	11,63,249	12.70
Options granted during the year	57,920	2.00	16,01,507	2.00
Options forfeited/lapsed during the year #	5,995	2.00	26,249	11.07
Options exercised during the year	4,60,707	2.00	6,15,552	21.84
Options outstanding at the end of the year	17,14,173	2.00	21,22,955	2.00
Options vested but not exercised at the end of the year	2,87,526	2.00	1,24,345	2.00

# including nil (March 31, 2015: 13,225) options forfeited/lapsed out of the options granted during the year.

e) Information in respect of options outstanding:

Grant date/Exercise price	As at March 31			
	2016		2015	
	No. of stock options	Weighted average remaining life <sup>s</sup>	No. of stock options	Weighted average remaining life <sup>s</sup>
<b>Scheme 2010:</b>				
February 07, 2011 at Rs. 2.00	1,44,188	34 months	3,55,735	13 months
January 25, 2012 at Rs. 2.00	62,830	41 months	95,790	19 months
July 22, 2013 at Rs. 2.00	28,878	52 months	38,504	28 months
October 21, 2013 at Rs. 2.00	41,365	51 months	44,644	31 months
October 21, 2014 at Rs. 2.00 #	13,78,992	59 months	15,88,282	37 months
October 21, 2015 at Rs. 2.00	57,920	68 months	-	-
<b>Total</b>	<b>17,14,173</b>		<b>21,22,955</b>	

\$ the increase in weighted average remaining life as at March 31, 2016 as compared to March 31, 2015 is on account of modification to Employee Stock Option Scheme 2010 representing extension of exercise period to 36 months from the date of vesting as against the erstwhile exercise period of 6 months from the date of vesting (refer note no. 28 (b)).

# net of nil (March 2015: 13,225) options forfeited/lapsed out of the options granted during the year.

f) 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.)
April 23, 2015	280.33
May 22, 2015	268.97
June 29, 2015	270.34
July 27, 2015	264.08
August 21, 2015	264.41
September 24, 2015	229.04
October 28, 2015	227.17
November 24, 2015	238.94
December 21, 2015	243.26
January 22, 2016	201.98
February 22, 2016	217.58
March 22, 2016	240.11

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

- g) Method used for accounting for share based payment plan  
The Company has elected to use intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Employee stock compensation cost is amortized over the vesting period.
- h) Fair value of options  
The fair value of options used to compute proforma net profit and earnings per share in note 28 (i) have been estimated on the date of grant using the black-scholes model. The key assumptions used in black-scholes model for calculating fair value as on the date of grant are:

## Grants covered under Scheme 2005:

Variables #	7-Dec-2005	24-Jul-2007	25-Mar-2008	18-Sep-2008
1) Risk free interest rate	5.8% to 6.6%	8.17%	7.31%	8.20%
2) Expected life	2.5 - 5 years	4.17 years	4.17 years	4.18 years
3) Expected volatility	0.50%	43.69%	43.61%	43.66%
4) Dividend yield	5%	1.59%	1.59%	1.64%
5) Price of the underlying share in the market at the time of option grant (Rs.)	13.11 *	46.00	63.62	50.35

# the values mentioned against each of the variables are based on the weighted average percentage of vesting.

\* being fair value taken from an independent valuer as the Company was unlisted as on the date of grant of option.

## Grants covered under Scheme 2010:

Variables #	7-Feb-2011	25-Jan-2012	22-Jul-2013	21-Oct-2013	21-Oct-2014	21-Oct-2015
1) Risk free interest rate	7.73%	8.11%	7.61%	8.60%	8.50%	7.53%
2) Expected life	4.5 years	5.5 years	3.5 years	3.25 years	3.25 years	4.50 years
3) Expected volatility	42.38%	46.08%	35.53%	39.27%	38.83%	37.37%
4) Dividend yield	2.28%	2.11%	1.70%	1.32%	1.35%	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	138.60	133.14	212.35	272.40	280.80	242.15

# the values mentioned against each of the variables are based on the weighted average percentage of vesting.

- i) Earnings Per Share  
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 *	
	As at March 31		As at March 31	
	2016	2015	2016	2015
Net profit after tax (Rs. in Lacs)	67,259.60	83,177.59	67,336.73	83,245.96
Weighted average number of equity shares of Rs. 2/- each – Basic	564278639	563837362	564278639	563837362
Weighted Average number of equity shares of Rs. 2/- each – Diluted	568764960	568764960	568764960	568764960
Basic Earnings Per Share (Rs.)	11.92	14.75	11.93	14.76
Diluted Earnings Per Share # (Rs.)	11.83	14.62	11.84	14.64

# Dilution in Earnings per share is on account of 41,63,582 equity shares (March 31, 2015 : 46,24,289 equity shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

\* Earnings Per Share under Fair value method is computed on proforma net profit after tax after adjusting for employee compensation costs under fair value method. Employee compensation cost under fair value method as compared to intrinsic value method is lower by Rs. 77.13 Lacs (March 31, 2015 : Rs. 68.37 Lacs).

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## NOTE 29 LOAN PROVISIONS AND WRITE OFFS

a) The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by The Reserve Bank of India. As per the practice consistently followed, the Company has also made additional provision on a prudential basis.

The RBI vide its notification no DNBR. 011/CGM (CDS)-2015 dt. March 27, 2015 has revised the asset classification norms for NPAs and substandard assets under its prudential norms applicable to NBFCs in a phased manner commencing from financial year ending 31st March, 2016, upto the financial year ending 31st March, 2018 which would result in an additional provision.

As on 31st March, 2016, the Company has recognised NPAs based on 4 months overdue norms as against the revised regulatory norms of recognising NPAs at 5 months overdue applicable for the current financial year resulting in an additional provision of Rs. 3,454.79 lacs and income de-recognition of Rs. 2,095.16 lacs with a consequent impact of Rs. 5,549.96 Lacs on Profit before tax for the year ended 31st March, 2016.

The cumulative additional/accelerated provision made by the Company as on March 31, 2016 is Rs. 73,567.48 Lacs (March 31, 2015 : Rs. 53,319.01 Lacs).

b) In accordance with the Notification No. DNBS.222/CGM (US)-2011 dated January 17, 2011 issued by The Reserve Bank of India (RBI) vide its directions to all NBFC's to make a general provision of 0.25% on the Standard assets, the Company has made a provision of Rs. 1,353.00 Lacs (March 31, 2015 : Rs. 1,057.00 Lacs).

The total amount of provision on Standard assets of Rs. 14,035.00 Lacs (March 31, 2015 :

Rs. 12,682.00 Lacs) is shown separately as "Contingent provision for Standard assets" under Long-term and Short-term provisions in the balance sheet (refer note no. 5 and 9). The said amount includes additional/accelerated provision of 0.15% for Rs. 5,262.00 Lacs as at March 31, 2016 (March 31, 2015 : Rs. 4,757.00 Lacs).

c) 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.

d) In accordance with the Prudential norms for restructured advances, the Company has made provisions of Rs. 32.51 Lacs (March 31, 2015 : Rs. 31.87 Lacs) as Higher provisions and Provisions for diminution in fair value on account of restructured advance which are shown separately under Long-term and Short-term provisions in the Balance sheet (refer note no. 5 and 9).

**NOTE 30** Commission and brokerage mainly represents amount incurred in respect of acquisition of customers and mobilisation of public deposits.

**NOTE 31** The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard 17 dealing with Segment Reporting.

**NOTE 32** In the opinion of the Board, Current assets, Loans and advances are approximately of the value stated if realised in the ordinary course of business.

**NOTE 33** Deposits/advances received against loan agreements are on account of loan against assets, which are repayable/adjusted over the period of the contract.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## NOTE 34 EMPLOYEE BENEFITS

### Defined benefit plans - as per actuarial valuation

Rs. in Lacs

	As at March 31						
	Gratuity (Funded)		Sick leave (Non funded)		Privilege Leave		
	March 2016	March 2015	March 2016	March 2015	March 2016	March 2015	
<b>I. Expense recognized in the Statement of Profit &amp; Loss Account for the year ended 31<sup>st</sup></b>							
1	Current service cost	992.35	834.37	159.91	129.11	1,070.56	993.59
2	Interest cost	137.72	106.95	17.07	13.49	92.51	76.41
3	Expected return on plan assets	(150.41)	(122.75)	-	-	-	-
4	Actuarial (gains)/losses	(503.97)	(326.85)	(90.38)	(99.52)	(816.18)	(662.17)
5	Fund amount to be transferred from MBCSPL gratuity fund	-	(56.36)	-	-	-	-
6	Adjustment due to change in opening balance of Plan assets	-	(98.83)	-	-	-	-
<b>7</b>	<b>Total expense</b>	<b>475.69</b>	<b>336.53</b>	<b>86.61</b>	<b>43.09</b>	<b>346.88</b>	<b>407.83</b>
<b>II. Net asset/(liability) recognised in the Balance Sheet as at 31<sup>st</sup></b>							
1	Present value of defined benefit obligation as at 31 <sup>st</sup>	1,944.96	1,558.68	277.25	190.97	1,168.39	1,056.62
2	Fair value of plan assets as at 31 <sup>st</sup>	1,919.58	1,583.37	-	-	-	-
3	Funded status (surplus/(deficit))	(25.38)	24.69	(277.25)	(190.97)	(1,168.39)	(1,056.62)
<b>4</b>	<b>Net asset/(liability) as at 31<sup>st</sup></b>	<b>(25.38)</b>	<b>24.69</b>	<b>(277.25)</b>	<b>(190.97)</b>	<b>(1,168.39)</b>	<b>(1,056.62)</b>
<b>III. Change in the obligations during the year ended 31<sup>st</sup></b>							
1	Present value of defined benefit obligation at the beginning of the year	1,558.68	1,192.46	190.96	147.88	1,056.62	846.55
2	Current service cost	992.35	834.37	159.91	129.11	1,067.96	993.59
3	Transferred to Mahindra Asset Management Company Pvt. Ltd.	-	-	(0.32)	-	-	-
4	Interest cost	137.72	106.95	17.07	13.49	92.51	76.41
5	Actuarial (gains)/losses	(654.38)	(449.21)	(90.38)	(99.52)	(816.18)	(662.17)
6	Benefits paid	(89.41)	(125.89)	-	-	(232.52)	(197.76)
<b>7</b>	<b>Present value of defined benefit obligation at the year ended 31<sup>st</sup></b>	<b>1,944.96</b>	<b>1,558.68</b>	<b>277.25</b>	<b>190.97</b>	<b>1,168.39</b>	<b>1,056.62</b>
<b>IV. Change in the fair value of plan assets during the year ended 31<sup>st</sup></b>							
1	Fair value of plan assets at the beginning of the year	1,583.37	1,111.98	-	-	-	-
2	Expected return on plan assets	150.41	122.75	-	-	-	-
3	Contributions by employer	425.62	442.08	-	-	-	-
4	Actuarial (gains)/losses	(150.41)	(122.75)	-	-	-	-
5	Fund amount to be transferred from MBCSPL gratuity fund	-	56.36	-	-	-	-
6	Adjustment due to change in opening balance of Plan assets	-	98.83	-	-	-	-
<b>7</b>	<b>Actual Benefits paid</b>	<b>(89.41)</b>	<b>(125.89)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31					
	Gratuity (Funded)		Sick leave (Non funded)		Privilege Leave	
	March 2016	March 2015	March 2016	March 2015	March 2016	March 2015
<b>8 Fair value of plan assets at the end of the year</b>	<b>1,919.58</b>	<b>1,583.37</b>	-	-	-	-
<b>V. Major category of plan assets as a percentage of total plan</b>						
Funded with LIC	100%	100%	-	-	-	-
<b>VI. Actuarial Assumptions</b>						
1 Discount Rate (p.a.)	8%	8%	8%	8%	8%	8%
2 Expected rate of return on plan assets (p.a.)	8%	8%	-	-	-	-
3 Rate of Salary increase (p.a.)	5%	5%	5%	5%	5%	5%
4 In-service Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

## VII. Experience adjustments

Rs. in Lacs

	As at March 31				
	2016	2015	2014	2013	2012
1 Defined benefit obligation at end of the period	1,944.96	1,558.68	1,192.46	855.07	644.20
2 Plan assets at the end of period	1,919.58	1,583.37	1,111.98	776.20	484.50
3 Funded status surplus/(deficit)	25.38	(24.69)	(80.48)	(78.87)	(159.71)
4 Experience adjustments on plan liabilities (gain)/loss	(211.91)	(154.49)	(77.52)	(66.64)	(73.01)
5 Experience adjustments on plan assets gain/(loss)	(39.21)	(32.19)	(21.77)	(16.07)	(9.94)

### NOTE 35 DISCLOSURE ON DERIVATIVES

#### Outstanding derivative instruments and un-hedged foreign currency exposures as on March 31, 2016

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of US \$ 1,209.88 Lacs (March 31, 2015: US \$ 872.71 Lacs). The said loan has been fixed to INR liability using a cross currency swap and floating interest thereon in LIBOR plus rate has been swapped for fixed rate in Indian rupee. There is no un-hedged foreign currency exposure as on March 31, 2016.

### NOTE 36 SECURITISATION/ASSIGNMENT TRANSACTIONS

a) During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 30940 contracts (March 31, 2015: 27907 contracts) amounting to Rs. 85,586.85 Lacs (March 31, 2015: Rs. 72,229.92 Lacs) for a consideration of Rs. 85,586.85 Lacs (March 31,

2015: Rs. 72,229.92 Lacs) and de-recognised the assets from the books.

- b) Income from assignment/securitization transactions include write back of provision for loss/expenses in respect of matured assignment transactions amounting to Rs 6,756.56 Lacs (March 31, 2015: Rs. 8,807.91 Lacs) considered no longer necessary (refer Accounting policy 3 (IV) A (iii)).
- c) In terms of the accounting policy stated in 3 (IV) (B) (i) (c), securitisation income is recognized as per RBI Guidelines dated 21st August, 2012. Accordingly, interest only strip representing present value of interest spread receivable has been recognized and reflected under loans and advances (refer note no. 13 and 18) and equivalent amount of unrealised gains have been recognised as liabilities (refer note no. 4 and 8).



# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

d) Excess interest spread redeemed during the year by the Special Purpose Vehicle Trust (SPV Trust) has been recognised as income and included in Income from assignment/securitisation transactions amounting to Rs. 12,062.65 Lacs (March 31, 2015: Rs. 11,024.71 Lacs).

**NOTE 37** There were 150 cases (March 31, 2015: 119 cases) of frauds amounting to Rs. 559.99 Lacs (March 31, 2015: Rs 353.81 Lacs) reported during the year. The Company has recovered an amount of Rs. 117.89 Lacs (March 31, 2015: Rs 107.39 Lacs) and has initiated appropriate legal action against the individuals involved. The claims for the un-recovered losses have been lodged with the insurance companies.

**NOTE 38** The gold loans outstanding as a percentage of total assets is at 0.02% (March 31, 2015: 0.02%).

**NOTE 39** During the year, the Company has incurred an expenditure of Rs. 2,791.69 Lacs (March 31, 2015: Rs. 2,374.07 Lacs) towards Corporate Social Responsibility activities which includes contribution/donations made to the trusts which are engaged in activities prescribed under section 135 of the Companies Act, 2013 read with Schedule VII to the said Act and expense of Rs. 114.26 Lacs (March 31, 2015: Rs. 113.56 Lacs) towards the CSR activities undertaken by the Company (refer note no. 26).

## NOTE 40 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18

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

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

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## B) Related party transactions are as under:

Rs. in Lacs

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Joint Ventures	* Key Management Personnel
<b>1</b>	<b>Income</b>					
	Loan income	-	-	64.15	-	-
		-	-	(3.52)	-	-
	Subvention/Disposal loss income	4,049.60	-	-	-	-
		(3,663.07)	-	-	-	-
	Other income	-	2,549.83	3.47	-	-
		(64.21)	(2,225.08)	-	-	-
<b>2</b>	<b>Expenses</b>					
	Interest	126.12	1,363.13	-	-	20.12
		-	(972.19)	-	-	(20.11)
	Other expenses	1,777.74	2,389.54	602.83	-	-
		(1,494.18)	(1,685.59)	(430.81)	-	-
	Remuneration to KMP's					436.13
						(645.48)
<b>3</b>	<b>Investment in share capital</b>	-	9,457.22	-	4,530.32	-
		-	(2,295.00)	-	(2,193.73)	-
<b>4</b>	<b>Purchase of fixed assets</b>	254.81	-	30.97	-	-
		(413.60)	-	-	-	-
<b>5</b>	<b>Sale of fixed assets</b>	-	11.35	-	-	-
		-	-	-	-	-
<b>6</b>	<b>Finance</b>					
	Fixed deposits taken	-	3,750.00	-	-	18.94
		-	(7,065.00)	-	-	(202.90)
	Fixed deposits matured	-	125.00	-	-	21.67
		-	-	-	-	(188.25)
	Dividend paid for previous year	11,648.31	-	-	-	23.85
		(11,065.89)	-	-	-	(23.71)
	Inter corporate deposits taken	(30,000.00)	7,500.00	-	-	-
		-	(1,475.00)	-	-	-
	Inter corporate deposits repaid	-	8,150.00	-	-	-
		-	(4,240.00)	-	-	-
	Inter corporate deposits given	-	-	-	-	-
		-	(69,107.00)	-	-	-
	Inter corporate deposits refunded	-	-	-	-	-
		-	(64,974.39)	-	-	-
<b>7</b>	<b>Other transactions</b>					
	Reimbursement from parties	-	-	-	-	-
		-	(0.02)	-	-	-
	Reimbursement to parties	-	-	153.08	-	-
		-	-	(119.72)	-	-
<b>8</b>	<b>Balances as at the end of the period</b>					
	Receivables	315.06	66.57	127.42	-	-
		(1,245.02)	(85.12)	-	-	-
	Loan given (including interest accrued but not due)	-	-	1,870.04	-	-
		-	-	(43.29)	-	-
	Inter corporate deposits given (including interest accrued but not due)	-	5,189.14	-	-	-
		-	(4,747.90)	-	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Joint Ventures	* Key Management Personnel
	Payables	-	692.74	218.94	-	-
		-	(455.13)	(157.98)	-	-
	Subordinate debt held (including interest accrued but not due)	-	700.76	-	-	-
		-	(700.76)	-	-	-
	Inter corporate deposits taken (including interest accrued but not due)	30,113.51	936.04	-	-	-
		-	(1,617.69)	-	-	-
	Fixed deposits (including interest accrued but not due)	-	15,143.45	-	-	226.54
		-	(10,426.55)	-	-	(231.80)

## Notes :

# Figures in bracket represent corresponding figures of previous year.

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

## C) The significant related party transactions are as under:

Rs. in Lacs

Nature of transactions		Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	* Key Management Personnel
<b>1. Income</b>					
Revenue from operations					
Subvention/Disposal loss income	Mahindra & Mahindra Limited	4,049.60	-	-	-
		(3,663.07)	-	-	-
Loan income	2 x 2 Logistics Pvt. Ltd.	-	-	62.08	-
		-	-	-	-
<b>2. Other income</b>					
Interest income on inter corporate deposits/subordinate debt	Mahindra Rural Housing Finance Limited	-	567.27	-	-
		-	(602.73)	-	-
Income from shared services	Mahindra Insurance Brokers Limited	-	149.78	-	-
		-	(135.60)	-	-
Income from shared services	Mahindra Rural Housing Finance Limited	-	454.75	-	-
		-	(404.09)	-	-
Dividend income	Mahindra Rural Housing Finance Limited	-	747.76	-	-
		-	(536.36)	-	-
Dividend income	Mahindra Insurance Brokers Limited	-	273.84	-	-
		-	(219.07)	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Nature of transactions		Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	* Key Management Personnel
ESOP compensation recovered	Mahindra Rural Housing Finance Limited	-	200.07 (76.99)	-	-
ESOP compensation recovered	Mahindra Insurance Brokers Limited	-	113.98 (146.31)	-	-
<b>3. Expenses</b>					
Interest					
Interest expense on inter corporate deposits and non-convertible debentures	Mahindra Insurance Brokers Limited	-	1,363.13 (972.19)	-	-
<b>4. Other expenses</b>					
Rent	Mahindra & Mahindra Limited	1,267.00 (951.24)	-	-	-
Handling Charges	Mahindra Insurance Brokers Limited	-	2,389.54 (1,685.59)	-	-
Commission & Valuation charges	Mahindra First Choice Wheels Limited	-	-	526.94 (417.19)	-
Investment in Share Capital	Mahindra Rural Housing Finance Limited	-	3,497.22 (2,190.00)	-	-
Investment in Share Capital	Mahindra Asset Management Co. Pvt. Ltd.	-	5,950.00 (100.00)	-	-
Purchase of fixed assets	Mahindra & Mahindra Limited	254.81 (413.60)	-	-	-
Purchase of fixed assets	NBS International	-	-	30.97	-
Sale of fixed assets	Mahindra Asset Management Co. Pvt. Ltd.	-	11.35	-	-
<b>5. Finance</b>					
Fixed Deposits	Mahindra Insurance Brokers Limited	-	3,750.00 (7,065.00)	-	-
Fixed deposits matured	Ramesh Iyer and relatives	-	-	-	21.67 (188.25)
Fixed deposits matured	Mahindra Insurance Brokers Limited	-	125.00	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Nature of transactions		Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	* Key Management Personnel
Dividend paid - for previous year	Mahindra & Mahindra Limited	11,648.31 (11,065.89)	- -	- -	- -
Inter corporate deposits taken	Mahindra Insurance Brokers Limited	- -	7,500.00 (1,475.00)	- -	- -
Inter corporate deposits taken	Mahindra & Mahindra Limited	30,000.00 -	- -	- -	- -
Inter corporate deposits repaid	Mahindra Insurance Brokers Limited	- -	8,150.00 (4,240.00)	- -	- -
<b>6. Balances at the year end</b>					
Receivables	Mahindra & Mahindra Limited	315.06 (1,245.02)	- -	- -	- -
Receivables	Mahindra Rural Housing Finance Limited	- -	66.57 (59.41)	- -	- -
Receivables	NBS International	- -	- -	127.42 -	- -
Loan outstanding	2 x 2 Logistics Pvt. Ltd.	- -	- -	1,865.14 -	- -
Payables	Mahindra Insurance Brokers Limited	- -	692.74 (455.13)	- -	- -
Payables	Mahindra First Choice Wheels Limited	- -	- -	155.44 (114.87)	- -
Inter corporate deposits taken (including interest accrued but not due)	Mahindra Insurance Brokers Limited	- -	936.04 (1,617.69)	- -	- -
Inter corporate deposits taken (including interest accrued but not due)	Mahindra & Mahindra Limited	30,113.51 -	- -	- -	- -
Inter corporate deposits given (including interest accrued but not due)	Mahindra Rural Housing Finance Limited	- -	5,189.14 (4,747.90)	- -	- -
Subordinate debt held (including interest accrued but not due)	Mahindra Rural Housing Finance Limited	- -	700.76 (700.76)	- -	- -
Fixed deposits	Mahindra Insurance Brokers Limited	- -	15,143.45 (10,426.55)	- -	- -

Figures in bracket represent corresponding figures of previous year.

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

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

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

Rs. in Lacs					
Particulars	Relation	Balance as on April 1, 2015	Advances/ investments	Repayments/ sale	Balance as on March 31, 2016
<b>(A) Loans and advances</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	4,656.50	-	-	4,656.50
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	30.08	-	25.18	4.90
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	13.21	1,952.93	101.00	1,865.14
		<b>4,699.79</b>	<b>1,952.93</b>	<b>126.18</b>	<b>6,526.54</b>
<b>(B) Unsecured redeemable non-convertible subordinate debentures</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	700.00	-	-	700.00
		<b>700.00</b>	<b>-</b>	<b>-</b>	<b>700.00</b>
<b>(C) Investments</b>					
Mahindra Insurance Brokers Ltd.	Subsidiary	47.98	-	-	47.98
Mahindra Rural Housing Finance Ltd.	Subsidiary	8,380.00	3,497.22	-	11,877.22
Mahindra Asset Management Company Pvt. Ltd.	Wholly owned Subsidiary	105.00	5,950.00	-	6,055.00
Mahindra Trustee Company Pvt. Ltd.	Wholly owned Subsidiary	5.00	10.00	-	15.00
Mahindra Finance USA, LLC	Joint Venture	10,787.01	4,530.31	-	15,317.32
		<b>19,324.99</b>	<b>13,987.53</b>	<b>-</b>	<b>33,312.52</b>
<b>Total</b>		<b>24,724.78</b>	<b>15,940.46</b>	<b>126.18</b>	<b>40,539.06</b>

### Notes :

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

## As at March 31, 2015

Rs. in Lacs					
Particulars	Relation	Balance as on April 1, 2014	Advances/ investments	Repayments/ sale	Balance as on March 31, 2015
<b>(A) Loans and advances</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	523.89	69,107.00	64,974.39	4,656.50
Mahindra Business and Consulting Services Pvt. Ltd.	Subsidiary	837.72	456.45	1,294.17	-
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	36.11	-	6.03	30.08
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	-	13.58	0.37	13.21
		<b>1,397.72</b>	<b>69,577.03</b>	<b>66,274.96</b>	<b>4,699.79</b>
<b>(B) Unsecured redeemable non-convertible subordinate debentures</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	700.00	-	-	700.00
		<b>700.00</b>	<b>-</b>	<b>-</b>	<b>700.00</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

		Rs. in Lacs			
Particulars	Relation	Balance as on April 1, 2014	Advances/ investments	Repayments/ sale	Balance as on March 31, 2015
<b>(C) Investments</b>					
Mahindra Insurance Brokers Ltd.	Subsidiary	47.98	-	-	47.98
Mahindra Rural Housing Finance Ltd.	Subsidiary	6,190.00	2,190.00	-	8,380.00
Mahindra Business and Consulting Services Pvt. Ltd.#	Wholly owned Subsidiary	1.00	-	1.00	-
Mahindra Asset Management Company Pvt. Ltd.	Wholly owned Subsidiary	5.00	100.00	-	105.00
Mahindra Trustee Company Pvt. Ltd.	Wholly owned Subsidiary	-	5.00	-	5.00
Mahindra Finance USA, LLC	Joint Venture	7,788.05	2,998.96	-	10,787.01
		<b>14,032.03</b>	<b>5,293.96</b>	<b>1.00</b>	<b>19,324.99</b>
<b>Total</b>		<b>16,129.75</b>	<b>74,870.99</b>	<b>66,275.96</b>	<b>24,724.78</b>

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

**Notes :**

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

## NOTE 41 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

		Rs. in Lacs	
Particulars	Year ended March 31		
	2016	2015	
<b>i) Contingent liabilities</b>			
a) Demand against the Company not acknowledged as debts -			
- Income tax	3,835.66	4,379.05	
- Value Added Tax (VAT)	191.98	191.98	
- Service tax	5,283.34	-	
b) Corporate guarantees towards assignment transactions	15,331.13	31,338.63	
c) Credit enhancement in terms of corporate guarantee for securitization transactions (refer note no. 49 (IV))	17,196.42	8,307.81	
d) Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	3,373.92	3,110.83	
	<b>45,212.45</b>	<b>47,328.30</b>	
<b>ii) Commitments</b>			
Estimated amount of contracts remaining to be executed on capital account	274.82	554.84	
	<b>274.82</b>	<b>554.84</b>	
<b>Total</b>	<b>45,487.27</b>	<b>47,883.14</b>	

## NOTE 42 CHANGES IN PROVISIONS

		Rs. in Lacs		
Particulars	As at April 1, 2015	Additional Provisions	Utilizations/ Reversals	As at March 31, 2016
Provision for Standard assets	12,682.00	1,353.00	-	14,035.00
Provision for Non-performing assets	96,617.08	91,439.33	38,843.23	1,49,213.18

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**NOTE 43** Disclosure of trade payables to Micro, Small and Medium Enterprises under Current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount outstanding as on March 31, 2016 to Micro, Small and Medium Enterprises on account of principle amount aggregate to Rs. Nil (March 31, 2015: Rs. Nil) [including overdue amount of Rs. Nil (March 31, 2015: Rs. Nil)] and interest due thereon is Rs. Nil (March 31, 2015: Rs. Nil) and interest paid during the year Rs. Nil (March 31, 2015: Rs. Nil).

## NOTE 44 SECURED LONG-TERM BORROWINGS

### i) Secured non-convertible debentures

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity</b>				
Maturing beyond 5 years	8.70%-9.00%	1,89,200.00	-	1,89,200.00
Maturing between 3 years to 5 years	8.48%-9.45%	2,01,950.00	-	2,01,950.00
Maturing between 1 year to 3 years	8.48%-10.25%	3,39,240.00	-	3,39,240.00
Maturing within 1 year	8.57%-10.20%	-	2,34,470.00	2,34,470.00
<b>Total</b>		<b>7,30,390.00</b>	<b>2,34,470.00</b>	<b>9,64,860.00</b>

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity</b>				
Maturing beyond 5 years	8.70%-8.95%	53,000.00	-	53,000.00
Maturing between 3 years to 5 years	8.65%-10.25%	1,22,760.00	-	1,22,760.00
Maturing between 1 year to 3 years	8.65%-10.20%	1,81,280.00	-	1,81,280.00
Maturing within 1 year	8.60%-9.95%	-	1,52,270.00	1,52,270.00
<b>Total</b>		<b>3,57,040.00</b>	<b>1,52,270.00</b>	<b>5,09,310.00</b>

### ii) Secured term loans from banks

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
<b>1) Repayable on maturity</b>				
Maturing beyond 5 years	-	-	-	-
Maturing between 3 years to 5 years	-	-	-	-
Maturing between 1 year to 3 years	9.65%-9.75%	35,000.00	-	35,000.00
Maturing within 1 year	9.50%-9.95%	-	1,27,500.00	1,27,500.00
<b>Total for repayable on maturity</b>		<b>35,000.00</b>	<b>1,27,500.00</b>	<b>1,62,500.00</b>
<b>2) Repayable in installments</b>				
<b>i) Quarterly -</b>				
Maturing beyond 5 years	-	-	-	-
Maturing between 3 years to 5 years	9.30%	15,892.86	-	15,892.86
Maturing between 1 year to 3 years	9.30%-9.65%	1,00,714.29	-	1,00,714.29
Maturing within 1 year	9.30%-9.70%	-	61,907.14	61,907.14
<b>Total</b>		<b>1,16,607.14</b>	<b>61,907.14</b>	<b>1,78,514.29</b>



# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
<b>ii) Half yearly</b>				
Maturing between 3 years to 5 years	9.45%	50,000.00	-	50,000.00
Maturing between 1 year to 3 years	9.65%-9.75%	1,06,000.00	-	1,06,000.00
Maturing within 1 year	9.65%-9.75%	-	1,07,000.00	1,07,000.00
<b>Total</b>		<b>1,56,000.00</b>	<b>1,07,000.00</b>	<b>2,63,000.00</b>
<b>iii) Yearly</b>				
Maturing beyond 5 years	-	-	-	-
Maturing between 3 years to 5 years	9.65%-9.70%	75,833.33	-	75,833.33
Maturing between 1 year to 3 years	9.35%-9.70%	1,50,833.33	-	1,50,833.33
Maturing within 1 year	9.65%-9.70%	-	45,833.33	45,833.33
<b>Total</b>		<b>2,26,666.67</b>	<b>45,833.33</b>	<b>2,72,500.00</b>
<b>Total for repayable in installments</b>		<b>4,99,273.81</b>	<b>2,14,740.48</b>	<b>7,14,014.29</b>
<b>Total (1+2)</b>		<b>5,34,273.81</b>	<b>3,42,240.48</b>	<b>8,76,514.29</b>

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
<b>1) Repayable on maturity:</b>				
Maturing between 1 year to 3 years	9.70%-10.25%	1,92,500.00	-	1,92,500.00
Maturing within 1 year	9.45%-10.40%	-	1,27,000.00	1,27,000.00
<b>Total for repayable on maturity</b>		<b>1,92,500.00</b>	<b>1,27,000.00</b>	<b>3,19,500.00</b>
<b>2) Repayable in installments:</b>				
<b>i) Bimonthly</b>				
Maturing within 1 year	10.25%	-	6,200.00	6,200.00
<b>Total</b>		<b>-</b>	<b>6,200.00</b>	<b>6,200.00</b>
<b>ii) Quarterly -</b>				
Maturing between 3 years to 5 years	10.00%	1,428.57	-	1,428.57
Maturing between 1 year to 3 years	9.95%-10.25%	95,835.71	-	95,835.71
Maturing within 1 year	9.95%-10.25%	-	32,364.29	32,364.29
<b>Total</b>		<b>97,264.29</b>	<b>32,364.29</b>	<b>1,29,628.57</b>
<b>iii) Half yearly -</b>				
Maturing beyond 3 years	10.25%	15,000.00	-	15,000.00
Maturing between 1 year to 3 years	10.00%-10.25%	2,14,666.67	-	2,14,666.67
Maturing within 1 year	10.00%-10.25%	-	1,62,666.67	1,62,666.67
<b>Total</b>		<b>2,29,666.67</b>	<b>1,62,666.67</b>	<b>3,92,333.33</b>
<b>iv) Yearly -</b>				
Maturing between 3 years to 5 years	10.20%-10.25%	43,333.33	-	43,333.33
Maturing between 1 year to 3 years	10.20%-10.25%	1,04,166.67	-	1,04,166.67
Maturing within 1 year	10.25%	-	7,500.00	7,500.00
<b>Total</b>		<b>1,47,500.00</b>	<b>7,500.00</b>	<b>1,55,000.00</b>
<b>Total for repayable in installments</b>		<b>4,74,430.95</b>	<b>2,08,730.95</b>	<b>6,83,161.90</b>
<b>Total (1+2)</b>		<b>6,66,930.95</b>	<b>3,35,730.95</b>	<b>10,02,661.90</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## iii) Foreign currency loans from banks

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturing between 1 year to 3 years	8.69%-9.97%	53,227.83	-	53,227.83
Maturing within 1 year	9.16%-9.33%	-	26,932.51	26,932.51
<b>Total</b>		<b>53,227.83</b>	<b>26,932.51</b>	<b>80,160.34</b>

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturing between 1 year to 3 years	8.95%	12,500.00	-	12,500.00
Maturing within 1 year	9.05%-9.98%	-	42,044.47	42,044.47
<b>Total</b>		<b>12,500.00</b>	<b>42,044.47</b>	<b>54,544.47</b>

## NOTE 45 UNSECURED BORROWINGS

### i) Subordinated debts (long-term)

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturing beyond 5 years	8.90%-10.50%	68,830.00	-	68,830.00
Maturing between 3 years to 5 years	9.50%-10.02%	41,720.00	-	41,720.00
Maturing between 1 year to 3 years	10.50%-12.00%	7,860.00	-	7,860.00
<b>Total</b>		<b>118,410.00</b>	<b>-</b>	<b>118,410.00</b>

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturing beyond 5 years	9.18%-10.50%	78,550.00	-	78,550.00
Maturing between 3 years to 5 years	9.85%-11.75%	15,480.00	-	15,480.00
Maturing between 1 year to 3 years	10.50%-12.00%	6,880.00	-	6,880.00
<b>Total</b>		<b>1,00,910.00</b>	<b>-</b>	<b>1,00,910.00</b>

### ii) Unsecured term loans from banks

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturing within 1 year	10.00%	-	10,000.00	10,000.00
<b>Total</b>		<b>-</b>	<b>10,000.00</b>	<b>10,000.00</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturing between 1 year to 3 years	10.00%	10,000.00	-	10,000.00
<b>Total</b>		<b>10,000.00</b>	<b>-</b>	<b>10,000.00</b>

### iii) Inter-corporate deposits (ICDs)

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
<b>Repayable on maturity:</b>					
Maturing within 1 year	8.45%-9.05%	30,925.00	-	-	30,925.00
<b>Total</b>		<b>30,925.00</b>	<b>-</b>	<b>-</b>	<b>30,925.00</b>

### As at March 31, 2015

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
<b>Repayable on maturity:</b>					
Maturing within 1 year	9.00%-9.60%	850.00	-	725.00	1,575.00
<b>Total</b>		<b>850.00</b>	<b>-</b>	<b>725.00</b>	<b>1,575.00</b>

### iv) Fixed deposits

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
a) Maturing beyond 3 years	8.20%-10.10%	-	15,832.63	-	15,832.63
b) Maturing between 1 year to 3 years	8.20%-10.60%	-	281,033.37	-	281,033.37
c) Maturing within 1 year	7.90%-10.60%	17,829.68	-	163,730.66	181,560.34
<b>Total</b>		<b>17,829.68</b>	<b>296,866.01</b>	<b>163,730.66</b>	<b>478,426.35</b>

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
Maturing beyond 3 years	8.90%-10.10%	-	6,561.15	-	6,561.15
Maturing between 1 year to 3 years	9.15%-10.60%	-	3,24,772.68	-	3,24,772.68
Maturing within 1 year	8.40% -10.75%	6,943.06	-	1,29,746.50	1,36,689.56
<b>Total</b>		<b>6,943.06</b>	<b>3,31,333.83</b>	<b>1,29,746.50</b>	<b>4,68,023.39</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## NOTE 46 SHORT - TERM BORROWINGS

### i) Secured term loans from banks and cash credit facilities

Particulars	Rs. in Lacs	
	As at March 31, 2016	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	9.50%-12.15%	1,09,934.60
<b>Total</b>		<b>1,09,934.60</b>

Particulars	Rs. in Lacs	
	As at March 31, 2015	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	9.60%-14.00%	1,31,805.33
<b>Total</b>		<b>1,31,805.33</b>

### ii) Commercial papers

Particulars	Rs. in Lacs	
	As at March 31, 2016	
	Rate range	Current
<b>Repayable on maturity:</b>		
Maturing within 1 year	8.09%-9.20%	2,76,000.00
<b>Total</b>		<b>2,76,000.00</b>

Particulars	Rs. in Lacs	
	As at March 31, 2015	
	Rate range	Current
<b>Repayable on maturity:</b>		
Maturing within 1 year	8.88%-9.15%	3,47,500.00
<b>Total</b>		<b>3,47,500.00</b>

## NOTE 47 MANAGERIAL REMUNERATION TO DIRECTORS INCLUDED IN THE STATEMENT OF PROFIT AND LOSS

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Salary and perquisites	564.08	583.22
Sitting fees and commission	294.55	214.62
<b>Total</b>	<b>858.63</b>	<b>797.84</b>

Above figures are excluding charge for gratuity, provision for leave encashment as separate actuarial valuation figures are not available.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**NOTE 48** Schedule to the Balance Sheet of a Non-Banking Financial Company as required in terms of Paragraph 13 of the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

Rs. in Lacs

Liabilities side	As at March 31			
	2016		2015	
	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
<b>(1) Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:</b>				
(a) Debentures : Secured	10,12,166.76	-	5,31,521.57	-
: Unsecured	-	-	-	-
(other than falling within the meaning of public deposits)				
(b) Deferred Credits	-	-	-	-
(c) Term Loans	9,15,559.66	-	10,86,150.23	-
(d) Inter-corporate loans and Other Borrowings	31,049.56	-	1,617.69	-
(e) Commercial Paper	2,76,000.00	-	3,47,500.00	-
(f) Public Deposits	4,66,215.66	-	4,60,702.68	-
(g) Fixed Deposits accepted from Corporates	47,460.23	-	38,501.41	-
(h) FCNR Loans	80,287.64	-	54,741.36	-
(i) Subordinate debt	1,24,089.84	-	1,05,738.99	-
(j) Other Short Term Loans and credit facilities from banks	81,834.60	-	59,105.33	-
<b>(2) Break-up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):</b>				
(a) In the form of Unsecured debentures	-	-	-	-
(b) In the form of partly secured debentures i.e., debentures where there is a shortfall in the value of security	-	-	-	-
(c) Other public deposits	4,66,215.66	-	4,60,702.68	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Asset side:	As at March 31	
	2016 Amount Outstanding	2015 Amount Outstanding
<b>(3) Break-up of Loans and Advances including bills receivables</b>		
[other than those included in (4) below]:		
(a) Secured	47,914.91	36,273.34
(b) Unsecured	1,68,719.44	1,44,202.13
<b>(4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities:</b>		
<b>(i) Lease assets including lease rentals under sundry debtors:</b>		
(a) Financial lease	-	-
(b) Operating lease	-	-
<b>(ii) Stock on hire including hire charges under sundry debtors:</b>		
(a) Assets on hire	-	-
(b) Repossessed Assets	-	-
<b>(iii) Other loans counting towards AFC activities:</b>		
(a) Loans where assets have been repossessed	5,951.34	7,860.00
(b) Loans other than (a) above	32,83,048.61	30,01,425.74
<b>(5) Break-up of Investments:</b>		
<b>Current Investments:</b>		
1. Quoted:		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	9,279.17	7,875.00
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Investments in Certificate of Deposits with Banks	-	-
2. Unquoted:		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Certificate of Deposits with Banks	24,821.50	-
(vi) Commercial Papers	15,000.00	1,500.00
<b>Long Term Investments:</b>		
1. Quoted:		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	2,000.01	5,354.17
(iii) Units of mutual funds	-	-
(iv) Government Securities	63,220.81	50,612.79
2. Unquoted:		
(i) Shares: (a) Equity	33,312.57	19,325.04
(b) Preference	-	-
(ii) Debentures and Bonds	700.00	700.00
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## (6) Borrower group-wise classification of assets financed as in (3) and (4) above:

Category	Rs. in Lacs					
	As at March 31, 2016			As at March 31, 2015		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries	-	5,189.14	5,189.14	-	4,747.90	4,747.90
(b) Companies in the same group	1,870.04	-	1,870.04	43.29	-	43.29
(c) Other related parties	-	-	-	-	-	-
2. Other than related parties	33,35,044.82	1,63,530.30	34,98,575.12	30,45,515.79	1,39,454.23	31,84,970.02
<b>Total</b>	<b>33,36,914.86</b>	<b>1,68,719.44</b>	<b>35,05,634.30</b>	<b>30,45,559.08</b>	<b>1,44,202.13</b>	<b>31,89,761.21</b>

## (7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	Rs. in Lacs			
	As at March 31, 2016		As at March 31, 2015	
	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiaries	18,695.20	18,695.20	9,237.98	9,237.98
(b) Companies in the same group	15,317.37	15,317.37	10,787.06	10,787.06
(c) Other related parties	-	-	-	-
2. Other than related parties	1,17,028.83	1,14,321.49	68,291.61	65,341.96
<b>Total</b>	<b>1,51,041.40</b>	<b>1,48,334.06</b>	<b>88,316.65</b>	<b>85,367.00</b>

## (8) Other information

	As at March 31	
	2016	2015
	Amount	Amount
(i) Gross Non-Performing Assets:		
(a) Related parties	-	-
(b) Other than related parties	3,22,416.98	2,09,972.20
(ii) Net Non-Performing Assets:		
(a) Related parties	-	-
(b) Other than related parties	1,23,511.37	81,820.64
(iii) Assets acquired in satisfaction of debt	-	-

**NOTE 49** Disclosures as required under Revised Regulatory Framework for NBFCs (Notification No. DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014)

### I) Capital

Particulars	As at March 31	
	2016	2015
i) CRAR (%)	17.3%	18.3%
ii) CRAR-Tier I Capital (%)	14.6%	15.5%
iii) CRAR-Tier II Capital (%)	2.7%	2.8%
iv) Amount of subordinated debt raised as Tier-II capital (Rs. in Lacs)	17,500.00	21,500.00
v) Amount raised by issue of Perpetual Debt Instruments	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## II) Investments

Particulars	Rs. in Lacs	
	As at March 31	
	2016	2015
1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,33,016.74	74,579.99
(b) Outside India	15,317.32	10,787.01
(ii) Provision for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	1,33,016.74	74,579.99
(b) Outside India	15,317.32	10,787.01
2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-off/write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

## III) Derivatives

### a) Forward Rate Agreement/Interest Rate Swap

The Company is not carrying out any activity of providing Forward/Interest rate swap cover to third parties.

### b) Exchange Traded Interest Rate (IR) Derivatives

The Company is not carrying out any activity of providing Derivative cover to third parties.

### c) Disclosures on Risk Exposure in Derivatives

#### Qualitative Disclosures –

- i) The Company undertakes the derivatives transaction to prudently hedge the risk in context of a particular borrowing or to diversify sources of borrowing and to maintain fixed and floating borrowing mix. The Company does not indulge into any derivative trading transactions. The Company reviews the proposed transaction and outlines any considerations associated with the transaction, including identification of the benefits and potential risks (worst case scenarios); an independent analysis of potential savings from the proposed transaction. The Company evaluates all the risks inherent in the transaction viz., Counter Party Risk, Market Risk, Operational Risk, Basis Risk etc.
- ii) Credit risk is controlled by restricting the counterparties that the Company deals with, to those who either have banking relationship with the Company or are internationally renowned or can provide sufficient information. Market/Price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled. Normally, transactions entered for hedging, will run till its life, irrespective of profit or loss. However in case of exceptions it has to be un-winded only with prior approval of M.D./CFO/Treasurer. Liquidity risk is controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
- iii) The respective functions of trading, confirmation and settlement should be performed by different personnel. The front office and back-office role is well defined and segregated. All the derivatives transactions are quarterly monitored and reviewed by CFO and Treasurer. All the derivative transactions have to be reported to the board of directors at every quarterly board meetings including their financial positions.



# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## Quantitative Disclosures –

### d) FCNR(B) Loans Availed:

Sr. Particulars No.	Rs. in Lacs			
	As at March 31, 2016		As at March 31, 2015	
	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i) Derivatives (Notional Principal Amount) For hedging	78,987.00		53,592.00	
(ii) Marked to Market Positions [1]				
(a) Asset (+) Estimated gain	1,657.21	-	823.53	-
(b) Liability (-) Estimated loss	-	(105.80)	(369.90)	(216.27)
(iii) Credit Exposure [2]	-	-	-	-
(iv) Unhedged Exposures	-	-	-	-

## IV) Disclosures relating to Securitisation

- a) Disclosures in the notes to the accounts in respect of securitisation transactions as required under revised guidelines on securitization transactions issued by RBI vide circular no.DNBS.PD.No.301/3.10.01/2012-13 dated August 21, 2012

Applicable for transactions effected after the date of circular:

Sr. No. Particulars	Rs. in Lacs	
	As at March 31 2016	2015
1 No of SPVs sponsored by the NBFC for securitisation transactions	16	12
2 Total amount of securitised assets as per books of the SPVs sponsored	1,36,825.69	1,54,321.26
3 Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
a) Off-balance sheet exposures		
First loss- Credit enhancement in form of corporate undertaking	17,196.42	8,307.81
Others	-	-
b) On-balance sheet exposures		
First loss- Cash collateral term deposits with banks	20,038.00	20,085.00
Others- Retained interest in pass through certificates (excluding accrued interest)	472.12	1,242.81
4 Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposure to own securitizations		
First loss	-	-
Loss	-	-
(ii) Exposure to third party securitisations		
First loss	-	-
Others- Excess Interest Spread	27,856.85	27,176.87
b) On-balance sheet exposures		
(i) Exposure to own securitisations		
First loss	-	-
Others- Cash collateral term deposits with banks	1,856.00	2,000.00
(ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**b) Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction**

During the current year and the previous year the Company has not sold any financial assets to Securitisation/Reconstruction Company for asset reconstruction.

**c) Details of Assignment transactions undertaken by NBFCs (During the year)**

Particulars	Rs. in Lacs	
	Year ended March 31	
	2016	2015
(i) No. of accounts	-	-
(ii) Aggregate value (net of provisions) of accounts sold	-	-
(iii) Aggregate consideration	-	-
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/loss over net book value	-	-

**d) Details of non-performing financial assets purchased/sold**

i) Details of non-performing financial assets purchased:

During the current year and the previous year the Company has not purchased any non-performing financial assets.

ii) Details of Non-performing Financial Assets sold:

During the current year and the previous year the Company has not sold any non-performing financial assets.

**e) Unsecured Advances**

During the current year, the Company has granted unsecured advances of Rs. 1,67,916.29 Lacs (March 31, 2015: Rs. 1,42,013.49 Lacs).

**VI) Miscellaneous**

**a) Registration obtained from other financial sector regulators**

During the current year and the previous year, the Company has not obtained any registration from other financial sector regulators.

**V) Exposures**

**a) Exposure to Real Estate Sector**

During the current year and the previous the Company has no exposure to Real estate sector.

**b) Exposure to Capital Market**

During the current year and the previous year the Company has no exposure to Capital Market.

**c) Details of financing of parent Company products**

Of the total financing activity undertaken by the Company during the financial year 2015-16, 45% (March 31, 2015: 48%) of the financing was towards parent Company products.

**d) Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) exceeded by the NBFC**

During the current year and the previous year, the Company has not exceeded the prudential exposure limits.

**b) Disclosure of Penalties imposed by RBI and other regulators**

During the current year and the previous year, there are no penalties imposed by RBI and other regulators.

**c) Related Party Transactions**

(refer note no. 40)

**d) Rating assigned by credit rating agencies and migration of ratings during the year**  
**Credit Rating -**

During the year under review, CRISIL Limited [CRISIL], has reaffirmed the rating to the Company's Long-term Debt Instruments and Bank Facilities as 'CRISIL AA+/Stable' and the Company's Fixed Deposit Programme as 'FAAA/Stable', respectively. 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 reaffirmed at 'CRISIL A1+' which is the highest level of rating.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

During the year under review, India Ratings & Research Private Limited, which is part of Fitch Group, upgraded the rating of Company's National Long-term instrument and Lower Tier II Subordinated Debt programme to 'IND AAA/Stable' from 'IND AA+/Stable'. The 'IND AAA' national ratings denote the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

During the year under review, CARE Ratings has assigned the 'CARE AAA' rating to Company's Long-term debt instrument and Lower Tier II Subordinated Debt programme. The Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

Brickwork Ratings India Private Limited has, during the year, upgraded the rating of the Company's Long-term Subordinated Debt

Issue to 'BWR AAA/stable' from "BWR AA+/positive". 'BWR AAA' stands for an instrument that is considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

## VII) Net Profit or Loss for the Period, Prior Period items and change in accounting policies

There are no such material items which require disclosures in the notes to accounts in terms of the relevant Accounting Standard.

## VIII) Revenue Recognition

(Refer note no. 3 under Summary of Significant Accounting Policies).

## IX) Accounting Standard 21- Consolidated Financial Statements (CFS)

All the subsidiaries of the Company have been consolidated as per Accounting Standard 21 Refer Consolidated Financial Statements (CFS).

### Additional Disclosures:

#### X) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Provisions for depreciation on Investment	-	-
Provision towards NPA	52,596.10	33,259.02
Provision made towards Income tax	53,560.00	51,995.00
Other Provision and Contingencies (with details)	-	-
Provision for diminution in the fair value of restructured advances	0.64	9.56
Provision for Standard Assets	1,353.00	1,079.31

#### Draw Down from Reserves

Year ended March 31 2016: Nil

Year ended March 31 2015:

Refer note no. 24 regarding transitional depreciation of Rs. 317.77 Lacs (net of deferred tax of Rs. 163.62 Lacs) arising pursuant to requirements of schedule II of the Companies Act, 2013 which was charged to opening balance of surplus in Statement of Profit and Loss.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## XI) Concentration of Deposits, Advances, Exposures and NPAs

### a) Concentration of Deposits (for deposit taking NBFCs)

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Total Deposits of twenty largest depositors	44,718.44	37,130.21
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	8.7%	7.4%

### b) Concentration of Advances

	Rs. in Lacs	
	As at March 31	
	2016	2015
Total Advances to twenty largest borrowers	80,359.22	37,180.54
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	2.2%	1.1%

### c) Concentration of Exposures

	Rs. in Lacs	
	As at March 31	
	2016	2015
Total Exposure to twenty largest borrowers/customers	80,359.22	37,180.54
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the NBFC on borrowers/customers	2.2%	1.1%

### d) Concentration of NPAs

	Rs. in Lacs	
	As at March 31	
	2016	2015
Total Exposure to top four NPA accounts	7,411.47	6,241.67

### e) Sector-wise NPAs

Sr. No.	Sector	Rs. in Lacs	
		Percentage of NPAs to Total Advances in that sector	Percentage of NPAs to Total Advances in that sector
		As at March 31, 2016	As at March 31, 2015
1	Agriculture & allied activities/Auto	9.2%	6.5%
2	MSME/Corporate borrowers	4.2%	5.6%
3	Unsecured personal loans	10.3%	13.1%
4	Other loans	0.7%	3.4%
5	Services	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## f) Movement of NPAs

Particulars	Rs. in Lacs	
	As at Year ended March 31	
	2016	2015
(i) Net NPAs to Net Advances (%)	3.5%	2.6%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	2,09,972.20	1,40,569.12
(b) Additions during the year	2,13,047.58	1,47,895.67
(c) Reductions during the year	1,00,602.80	78,492.59
<b>(d) Closing balance</b>	<b>3,22,416.98</b>	<b>2,09,972.20</b>
(iii) Movement of Net NPAs		
(a) Opening balance	81,820.64	57,564.17
(b) Additions during the year	91,707.63	67,419.23
(c) Reductions during the year	50,016.90	43,162.76
<b>(d) Closing balance</b>	<b>1,23,511.37</b>	<b>81,820.64</b>
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	96,617.08	63,358.06
(b) Provisions made during the year	91,439.33	61,506.02
(c) Write-off/write-back of excess provisions	38,843.23	28,247.00
<b>(d) Closing balance</b>	<b>1,49,213.18</b>	<b>96,617.08</b>

## XII) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

Name of the Joint Venture/ Subsidiary	Other Partner in the JV	Country	Rs. in Lacs	
			Total Assets as at March 31, 2016	Total Assets as at March 31, 2015
Mahindra Finance USA, LLC	De Lage Landen Financial Services	USA	2,43,751.58	1,67,299.84

## XIII) Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas
NA	NA

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## XIV) Asset Liability Management: Maturity pattern of certain items of Assets and Liabilities As at March 31, 2016

	1 to 30/31 days (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
Deposits	15,664.40	18,168.12	15,454.38	46,352.65	85,920.79	2,81,033.37	15,832.63	-	4,78,426.35
Advances	2,84,937.61	1,47,877.40	1,54,020.45	3,80,287.32	6,11,279.67	14,88,932.17	2,94,618.21	2,446.12	33,64,398.95
Reserves and surplus	-	-	-	-	-	-	-	5,97,518.72	5,97,518.72
Investments	14,975.11	-	9,846.39	-	15,000.00	11,202.82	24,568.95	72,740.79	1,48,334.05
Borrowings	92,097.89	1,40,400.00	77,678.57	1,35,712.86	4,69,544.05	8,49,582.22	3,85,396.19	2,58,030.00	24,08,441.78
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	6,567.13	-	7,114.39	13,251.00	53,227.83	-	-	80,160.34

## XV) Disclosure of Complaints

### Customer Complaints

(a) No. of complaints pending at the beginning of the year	9
(b) No. of complaints received during the year	132
(c) No. of complaints redressed during the year	136
(d) No. of complaints pending at the end of the year	5

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## NOTE 50 DISCLOSURE ON RESTRUCTURED STANDARD ADVANCES:

During the previous year, the Company has restructured one of the standard advance accounts resulting in reduction in rate of interest and increase in tenor of the loan. The details of the same are provided here below:

Type of Restructuring		Others				Rs. in Lacs
		Standard	Substandard	Doubtful	Loss	Total
Sr. No.	Asset Classification					
Details						
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	1	-	-	1
		Amount Outstanding	446.15	-	-	446.15
		Provision thereon #	31.87	-	-	31.87
2	Fresh Restructuring during the year	No. of Borrowers				
		Amount Outstanding				
		Provision thereon				
3	Up-gradations to restructured standard category during the FY	No. of Borrowers				
		Amount Outstanding				
		Provision thereon				
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of FY and hence need to be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers				
		Amount Outstanding				
		Provision thereon				
5	Down gradations of restructured accounts during the FY	No. of Borrowers				
		Amount Outstanding				
		Provision thereon				
6	Write-offs of restructured accounts during the FY	No. of Borrowers				
		Amount Outstanding				
7	Restructured Accounts as on March 31 of the FY (Closing Figures)	No. of Borrowers	1	-	-	1
		Amount Outstanding	446.15	-	-	446.15
		Provision thereon #	32.51	-	-	32.51

**Note :** Since the disclosure of restructured advance account pertains to section "Others", the first two sections, namely, "Under CDR Mechanism" and "Under SME Debt Restructuring Mechanism" as per format prescribed in the guidelines are not included above.

# Represents higher provisioning and provision for diminution in fair value of Rs. 22.31 Lacs (March 31,2015: Rs. 22.31 Lacs) and Rs. 10.20 Lacs (March 31,2015: Rs. 9.56 Lacs) respectively.

**NOTE 51** Previous year figures have been regrouped/reclassified wherever found necessary.

## Signatures to Significant accounting policies and Notes to the financial statements – I and II

For <b>B. K. Khare and Co.</b> Chartered Accountants FRN :105102W	<b>Dhananjay Mungale</b> Chairman	<b>Ramesh Iyer</b> Vice-Chairman & Managing Director	<b>M. G. Bhide</b> Director	<b>Piyush Mankad</b> Director
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<b>Naresh Kumar Kataria</b> Partner Membership No.037825	<b>C.B. Bhawe</b> Director	<b>Rama Bijapurkar</b> Director	<b>V. S. Parthasarathy</b> Director	<b>Dr. Anish Shah</b> Director
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Place : Mumbai	<b>V. Ravi</b> Executive Director & Chief Financial Officer	<b>Arnavaz Pardiwala</b> Company Secretary
Date : 23rd April, 2016		

# Independent Auditor's Report

To the Members of  
**Mahindra & Mahindra Financial Services Limited**

## Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **Mahindra & Mahindra Financial Limited** ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries are referred to as "the Group"), comprising the consolidated balance sheet as at March 31, 2016, and the consolidated statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

## Management's Responsibility for the Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of the preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the 'Other Matter' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2016, and its consolidated profit and consolidated cash flows for the period from April 1, 2015 to March 31, 2016.

## 9. Other Matters

a. We did not audit the financial statements of the joint venture entity whose financial statements reflect



total assets of Rs. 243,751.58 lakhs as at March 31, 2016, total revenues of Rs. 10,684.46 lakhs, and net cash inflows amounting to Rs 358.14 lakhs, respectively for the year then ended as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion insofar as it relates to these financial statements, is based solely on the reports of the other auditors.

- b. Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

#### Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, we report that:

- a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the consolidated financial statements;
- b. in our opinion proper books of account as required by law relating to preparation of the consolidated financial statements have been kept by the Company so far as it appears from our examination of those books and the reports of the other auditors;
- c. the consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of

its subsidiary companies, incorporated in India, none of the directors of the aforesaid companies, is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its Indian subsidiaries and the operating effectiveness of such controls, refer our separate report in Annexure I.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group in accordance with the generally accepted accounting practice – Refer Note 47 to the consolidated financial statements.
- ii. The Group did not have any long-term contracts for which there were any material foreseeable losses. Provision has been made in the consolidated financial statements as required under the applicable law or accounting standards, for material foreseeable losses, if any, on derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. Based on the auditor's report of the Indian subsidiary there were no amounts which were required to be transferred to the said fund.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 23, 2016

# Annexure I to our Report

of even date on the Consolidated Financial Statements of Mahindra & Mahindra Financial Services Limited

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the **Mahindra & Mahindra Financial Services Limited** as of March 31, 2016 and for the period from April 1, 2015 to March 31, 2016 we have audited the internal financial controls over financial reporting of Mahindra & Mahindra Financial Services Limited (hereinafter referred to as "the Holding Company") and its four subsidiary companies incorporated in India ("Indian Subsidiary Companies"), as of that date.

## Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding company and its Indian Subsidiary Companies are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control sated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and efforts, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

## Auditors' Responsibility

Our responsibility is to express an opinion on internal financial controls over financial reporting based on our audit for the Group Companies in India. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India ("ICAI") and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Group Companies in India.

## Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of

controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Holding Company and Group Companies in India have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria

established by the Group Companies in India considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 23, 2016

# Consolidated Balance Sheet

as at March 31, 2016

Rs. in Lacs

Particulars	Note No.	As at March 31	
		2016	2015
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share Capital	1	11,292.03	11,282.81
b) Reserves and Surplus	2	635,647.75	582,988.88
		<b>646,939.78</b>	<b>594,271.69</b>
Minority Interest		6,752.75	4,929.60
<b>2) Non-current liabilities</b>			
a) Long-term borrowings	3	2,034,120.59	1,686,524.66
b) Other Long-term liabilities	4	43,263.99	30,247.97
c) Long term provisions	5	49,184.40	35,266.53
		<b>2,126,568.98</b>	<b>1,752,039.16</b>
<b>3) Current liabilities</b>			
a) Short Term Borrowings	6	521,753.18	525,861.91
b) Trade payables	7	50,725.49	49,545.23
c) Other current liabilities	8	991,031.27	818,226.02
d) Short term provisions	9	156,912.91	118,440.41
		<b>1,720,422.85</b>	<b>1,512,073.57</b>
<b>TOTAL</b>		<b>4,500,684.36</b>	<b>3,863,314.02</b>
<b>II. ASSETS</b>			
<b>1) Non-current assets</b>			
a) Fixed Assets	10		
i) Tangible assets		12,345.94	11,415.94
ii) Intangible assets		559.35	470.09
iii) Capital work-in-progress		1.85	31.54
b) Non-current investments	11	65,220.87	55,967.01
c) Deferred tax assets (Net)	12	59,923.93	42,125.77
d) Long-term loans and advances	13	2,284,205.04	1,988,826.44
e) Other non-current assets	14	5,236.44	23,263.46
		<b>2,427,493.42</b>	<b>2,122,100.25</b>
<b>2) Current assets</b>			
a) Current investments	15	54,670.33	9,449.80
b) Trade receivables	16	2,000.45	1,454.15
c) Cash and cash equivalents	17	60,975.36	49,364.02
d) Short-term loans and advances	18	1,946,693.60	1,676,198.37
e) Other current assets	19	8,851.20	4,747.43
		<b>2,073,190.94</b>	<b>1,741,213.77</b>
<b>Total</b>		<b>4,500,684.36</b>	<b>3,863,314.02</b>
<b>Summary of significant accounting policies and notes to the financial statements</b>		<b>I &amp; II</b>	

The notes 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  
FRN : 105102W

**Dhananjay Mungale**  
Chairman

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

**M. G. Bhide**  
Director

**Piyush Mankad**  
Director

**Naresh Kumar Kataria**  
Partner  
Membership No.037825

**C.B. Bhav**  
Director

**Rama Bijapurkar**  
Director

**V. S. Parthasarathy**  
Director

**Dr. Anish Shah**  
Director

Place : Mumbai  
Date : 23rd April, 2016

**V Ravi**  
Executive Director &  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2016

Particulars	Note No.	Rs. in Lacs	
		Year ended March 31	
		2016	2015
<b>I. Revenue from operations</b>	20	655,386.74	602,114.28
<b>II. Other income</b>	21	4,365.01	3,976.28
<b>III. Total Revenue (I+II)</b>		<b>659,751.75</b>	<b>606,090.56</b>
<b>IV. Expenses:</b>			
Employee benefits expense	22	70,409.22	56,710.19
Finance costs	23	286,834.73	264,299.81
Depreciation and amortization expense	24	4,569.78	4,550.76
Loan provisions and write offs	25	109,819.07	84,912.26
Other expenses	26	65,706.97	55,630.68
<b>Total expenses</b>		<b>537,339.77</b>	<b>466,103.70</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>122,411.98</b>	<b>139,986.86</b>
VI. Exceptional items (net) - income/(expense)		-	-
<b>VII. Profit before extraordinary items and tax (V-VI)</b>		<b>122,411.98</b>	<b>139,986.86</b>
<b>VIII. Extraordinary items</b>		-	-
<b>IX. Profit before tax (VII-VIII)</b>		122,411.98	139,986.86
<b>X. Tax expense:</b>			
(1) Current tax		61,439.94	57,611.27
(2) Deferred tax		(17,768.11)	(10,111.16)
		<b>43,671.83</b>	<b>47,500.11</b>
<b>XI. Profit/(Loss) for the period from continuing operations (IX-X)</b>		<b>78,740.15</b>	<b>92,486.75</b>
XII. Minority Interest		1,510.79	1,196.21
<b>XIII. Profit/(Loss) for the period (XI-XII)</b>		<b>77,229.36</b>	<b>91,290.54</b>
<b>XIV. Earnings per equity share (Rupees):</b>	32		
(Face value - Rs. 2/- per share)			
(1) Basic		13.69	16.19
(2) Diluted		13.58	16.05
<b>Summary of significant accounting policies and notes to the financial statements</b>	<b>I &amp; II</b>		

The notes referred to above form an integral part of the Statement of Profit and Loss. This is the Statement of Profit and Loss in our report of even date.

For <b>B. K. Khare and Co.</b> Chartered Accountants FRN : 105102W	<b>Dhananjay Mungale</b> Chairman	<b>Ramesh Iyer</b> Vice-Chairman & Managing Director	<b>M. G. Bhide</b> Director	<b>Piyush Mankad</b> Director
<b>Naresh Kumar Kataria</b> Partner Membership No.037825	<b>C.B. Bhawe</b> Director	<b>Rama Bijapurkar</b> Director	<b>V. S. Parthasarathy</b> Director	<b>Dr. Anish Shah</b> Director
Place : Mumbai Date : 23rd April, 2016	<b>V Ravi</b> Executive Director & Chief Financial Officer	<b>Arnavaz Pardiwala</b> Company Secretary		

# Consolidated Cash Flow Statement

for the year ended March 31, 2016

Rs. in Lacs

Particulars	Year ended March 31	
	2016	2015
<b>A. Cash Flow From Operating Activities</b>		
<b>Profit before taxes and contingencies and exceptional items</b>	<b>122,411.98</b>	<b>139,986.86</b>
<b>Add/(Less): Non Cash Expenses</b>		
Depreciation and amortisation expense	4,569.78	4,550.76
Exchange Fluctuation	1,022.95	573.01
Provision for non-performing assets (net)	56,064.16	34,728.06
Bad Debts & Write offs	51,978.52	48,804.81
General provision for Standard assets	1,775.75	1,330.83
Higher provision & provision for diminution in the fair value of restructured advances	0.64	31.87
Employee stock compensation costs	1,431.06	1,065.33
	<b>116,842.86</b>	<b>91,084.67</b>
<b>Add/(Less): Income considered separately</b>		
Income from investing activities	(5,218.58)	(3,962.26)
(Profit)/Loss on sale of assets	(100.34)	(9.65)
(Profit)/Loss on sale of Investment	-	(468.64)
Income from Assignment/Securitisation transactions	(20,633.45)	(25,622.33)
	<b>(25,952.37)</b>	<b>(30,062.88)</b>
<b>Operating profit before working capital changes (I)</b>	<b>213,302.47</b>	<b>201,008.65</b>
Less:		
(Increase)/Decrease in interest accrued on investment/others	901.85	909.07
(Increase)/Decrease in Trade receivables	(86.84)	(40,040.07)
(Increase)/Decrease in Loans & Advances	(693,637.71)	(539,160.34)
	<b>(692,822.70)</b>	<b>(578,291.34)</b>
Add: Increase in Current liabilities	49,400.74	39,424.22
	<b>(II) (643,421.96)</b>	<b>(538,867.12)</b>
<b>Cash generated from operations (I+II)</b>	<b>(430,119.49)</b>	<b>(337,858.47)</b>
Advance taxes paid	(65,547.73)	(59,145.11)
	<b>(495,667.22)</b>	<b>(397,003.58)</b>
<b>Net Cash Generated From/(Used In) Operating Activities (A)</b>	<b>(495,667.22)</b>	<b>(397,003.58)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets/Software	(5,538.04)	(4,469.93)
Sale of fixed assets	236.85	603.22
Purchase of Investments	(234,599.19)	(267,533.24)
Investments in/maturity of term deposits with banks	10,913.77	(4,066.77)
Sale of Investments	180,074.80	274,769.77
Income received from investing activities	4,920.43	4,105.38
(Increase)/Decrease in Earmarked balances with banks	5.56	0.24
<b>Net Cash Generated From/(Used In) Investing Activities (B)</b>	<b>(43,985.82)</b>	<b>3,408.67</b>

# Consolidated Cash Flow Statement

for the year ended March 31, 2016

Particulars	Rs. in Lacs	
	Year ended March 31	
	2016	2015
<b>C. Cash Flow from Financing Activities</b>		
Issue of Equity Shares (net of issue expenses)	796.64	552.76
Increase/(Decrease) in Bank borrowings (net)	(122,402.47)	(245,042.73)
Increase/(Decrease) in long term borrowings (net)	585,673.70	133,089.93
Increase/(Decrease) in short term borrowings (net)	1,334.43	338,500.62
Increase/(Decrease) in Fixed Deposits (net)	6,777.96	100,738.59
Proceeds from Assignment/Securitisation transactions	99,463.75	89,044.34
Dividend paid (including tax on dividend)	(28,590.94)	(26,176.51)
<b>Net Cash Generated From/(used in) Financing Activities (C)</b>	<b>543,053.07</b>	<b>390,707.00</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>3,400.03</b>	<b>(2,887.91)</b>
<b>Cash And Cash Equivalents at the beginning of the year</b>	<b>20,549.11</b>	<b>23,437.02</b>
<b>Cash And Cash Equivalents at the end of the year</b>	<b>23,949.14</b>	<b>20,549.11</b>
<b>(Refer Note No. 17)</b>		

## COMPONENTS OF CASH AND CASH EQUIVALENTS

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
<b>Cash and cash equivalents at the end of the year</b>		
- Cash on hand	2,772.55	1,929.42
- Cheques and drafts on hand	544.34	296.98
- Balances with banks in current accounts	20,632.25	18,322.71
	<b>23,949.14</b>	<b>20,549.11</b>

**Note:** The above Cash Flow Statement has been prepared under the 'Indirect method' as set out in Accounting Standard 3 'Cash Flow Statement'.

For <b>B. K. Khare and Co.</b> Chartered Accountants FRN : 105102W	<b>Dhananjay Mungale</b> Chairman	<b>Ramesh Iyer</b> Vice-Chairman & Managing Director	<b>M. G. Bhide</b> Director	<b>Piyush Mankad</b> Director
<b>Naresh Kumar Kataria</b> Partner Membership No.037825	<b>C.B. Bhawe</b> Director	<b>Rama Bijapurkar</b> Director	<b>V. S. Parthasarathy</b> Director	<b>Dr. Anish Shah</b> Director
Place : Mumbai Date : 23rd April, 2016	<b>V Ravi</b> Executive Director & Chief Financial Officer	<b>Arnavaz Pardiwala</b> Company Secretary		

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1) The Consolidated Financial Statements relate to Mahindra & Mahindra Financial Services Limited (MMFSL, the Company) and its subsidiaries and its Joint Venture entity. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" and Accounting Standard 27 (AS 27) "Financial Reporting of Interests in Joint Ventures" prescribed under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014. The Consolidated Financial Statements have been prepared on the following basis:

- a. The Financial Statements of the Company, its subsidiary companies and joint venture 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 (on a proportionate basis in case of joint venture) after eliminating inter group balances, inter group transactions and unrealised profits or losses.
- b. The difference between the cost of investment in the subsidiaries and the Company's share of equity at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill on consolidation or Capital Reserve on consolidation. Goodwill arising on consolidation is not amortised in the books of account.
- c. The difference between the foreign exchange rates prevailing at the time of making the investment and on the date, on which the accounts of the joint venture are made, is recognised in the financial statements as Foreign Exchange Fluctuation Reserve.
- d. The financial statements of the subsidiary companies and the joint venture are drawn for the same period as the Company.
- e. The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the Statement of Profit and Loss as profit or loss on disposal of investment in subsidiaries.
- f. Minority Interest in the net assets of consolidated subsidiaries consists of:

- i) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and
- ii) the minorities' share of movements in equity since the date on which investment in a subsidiary relationship comes into existence.

The subsidiaries and the joint venture (which along with Mahindra & Mahindra Financial Services Limited, the parent, constitute the "Group") considered in the presentation of these consolidated financial statements are:

Name of the Subsidiary Company/Joint Venture	Country of Origin	Proportion of Ownership Interest (*)
Mahindra Insurance Brokers Limited (MIBL)	India	85.00%
Mahindra Rural Housing Finance Limited (MRHFL)	India	87.50%
Mahindra Asset Management Company Pvt. Ltd. (MAMCPL)	India	100.00%
Mahindra Trustee Company Pvt. Ltd. (MTCPL)	India	100.00%
Mahindra Finance USA, LLC (MFUSA)	USA	49.00%

\* There is no change in the proportion of ownership interest as compared to the previous year.

## 2) Basis for preparation of financial statements:

The consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended).

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.



# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Further, the Company follows prudential norms for Income Recognition, assets classification and provisioning for Non-performing assets as well as contingency provision for standard assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies and by Mahindra Rural Housing Finance Limited, one of the subsidiaries, follows similar norms prescribed by The National Housing Bank for Housing Finance Companies. The Company has a policy of making additional provision on a prudential basis (refer note no. 33 of notes to the financial statements).

The joint venture (MFUSA) records an allowance for credit losses to provide for estimated losses in the receivable portfolio. Management evaluates the allowance for credit losses on a periodic basis based upon the known and inherent risks in the joint venture's receivable portfolio. Accounts are written off (net of fair value of collateral less costs to sell) when delinquency reaches 360 days or when the joint venture's evaluation indicates the account is uncollectible, if earlier.

### 3) 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.

### 4) Revenue recognition:

#### i. General:

Revenue is recognised as earned and accrued when it is reasonably certain that its ultimate collection will be made and the revenue is measurable.

#### ii. Income from loans:

- a) Interest income from loan transactions is accounted for by applying the interest rate implicit in such contracts.
- b) Service charges, documentation charges and other fees on loan transactions are recognised at the commencement of the contract.
- c) Delayed payment charges, fee based income and interest on trade advances, are

recognised when they become measurable and when it is not unreasonable to expect their ultimate collection.

- d) In respect of MMFSL, income on business assets classified as Non-performing Assets, is recognised strictly in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies. Unrealized interest recognized as income in the previous period is reversed in the month in which the asset is classified as Non-performing.
  - e) In respect of MRHFL, income on business assets classified as Non-performing Assets, is recognised on realisation in accordance with the guidelines issued by The National Housing Bank for Housing Finance Companies. Unrealized interest recognized as income in the previous period is reversed in the month in which the asset is classified as Non-performing.
  - f) Direct costs incurred and fees received related to the origination of finance receivables, relating to joint venture, are deferred and amortized over the estimated term of the related receivables.
  - g) The joint venture's (MFUSA) interest income from finance receivables and inventory receivables is recognised using the effective-interest method. Late payment charges are credited to income when received. Accrual of interest and finance fees is suspended when collection is greater than 90 days delinquent or if indication of impairment exists. Income is recognised on cash basis after a receivable is put on non accrual status. The accrual of interest resumes when the receivable becomes less than 90 days delinquent and the customer is no longer in default status.
- #### iii. Subvention income:
- Subvention received from dealers/manufacturers on vehicles financed is booked over the period of the contract.
- #### iv. Brokerage and handling charges income:
- Brokerage, handling charges and broker retainer fees are recognised on accrual basis when services are rendered and are net of service tax.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

**v. Insurance consultancy fees:**

Revenue from Insurance Consultancy is recognised net of service tax on rendition of service in accordance with the terms of the contract with customer.

**vi. Income from assignment/securitisation transactions:**

**A. Income accounted prior to the issuance of RBI Circular dated August 21, 2012:**

i. In case of receivables assigned/securitised by the Company, the assets are de-recognised as all the rights, title, future receivables and interest thereof are assigned to the purchaser.

ii. On de-recognition, the difference between book value of the receivables assigned/securitised 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.

iii. On the maturity of an underlying assignment/securitisation deal, estimated provision for loss/expenses and incidental expenses in respect of the said deal has been reversed since the actual losses/expenses have already been debited to the Statement of Profit and Loss over the period.

**B. Income accounted post the issuance of RBI Circular dated August 21, 2012:**

*i. Securitisation transactions:*

a. Securitised receivables are de-recognized in the balance sheet when they are sold i.e. if they fully meet the true sale criteria.

b. Gains arising on securitisation of assets are recognised over the tenure of securities issued by Special Purpose Vehicles Trust (SPV).

c. Company's contractual rights to receive the share of future interest (i.e. interest spread) in the transferred assets from the SPV is capitalised at the present value as Interest Only (I/O) strip with a corresponding liability created for unrealised gains on loan transfer transactions. The excess interest spread on the securitisation transactions are

recognised in the Statement of Profit and Loss only when it is redeemed in cash by the SPV. Losses, if any, are recognised upfront.

*ii. Assignment transactions:*

a. Receivables under the assignment transactions are de-recognized in the balance sheet when they are sold subject to the portion of loan assets which is required under the Minimum Retention Criteria and reflected as Loans and Advances (refer note no. 13 and 18).

b. The amount of profit in cash on such transactions is held under an accounting head styled as "Cash profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at the end of every financial year based on the formula prescribed as per the Circular. The unamortized portion is reflected as "Other long-term liabilities"/"Other current liabilities" (refer note no. 4 and 8).

**vii. Income from investments:**

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

b) Interest income is accrued on time proportion basis.

**5) Fixed assets, depreciation and amortization:**

**a) Tangible assets:**

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

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

**b) Depreciation on Tangible assets:**

Depreciation on tangible assets is charged on Straight Line Method (SLM) in accordance with the useful lives specified in Part – C of Schedule II to the Companies Act, 2013 on a pro-rata basis except for following assets in respect of which useful life is taken as estimated by the management based on the actual usage pattern of the assets:

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

- a) Assets costing less than Rs.5000/- are fully depreciated in the period of purchase.
- b) Vehicles used by employees are depreciated over a period of 48 months considering this period as the useful life of the vehicle for the Company.
- c) In respect of MMFSL, repossessed assets that have been capitalised for own use are depreciated at the rate of 15% on SLM over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming part of Company's 'Tangible assets' in note no.10.
- d) Residual value of the assets is considered as nil reflecting the realisable value at the end of the useful life of an asset.

**c) Intangible assets:**

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

**d) Amortization of Intangible assets:**

Intangible assets comprises of computer software which is amortized over the estimated useful life. The maximum period for such amortization is 36 months based on estimates of useful life.

**6) Foreign exchange transactions and translations:**

**i. Initial recognition**

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the transaction dates.

**ii. Conversion**

- a. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.
- b. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.
- c. Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation are accumulated in the Foreign Exchange Fluctuation Reserve until the disposal of the net investment, at which time they are recognized as income or as expenses.

**iii. Exchange differences**

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary item as below:

- a. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of Profit and Loss.
- b. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.

**iv. Forward exchange contracts entered into to hedge foreign currency risk of existing assets/liabilities**

- a. In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate which is either a premium or discount arising at the inception of a forward contract is amortised over the life of the contract. Unamortised forward premium as at the year end is reflected as Other long-term/short-term liabilities depending on the period over which the premium is amortised.
- b. Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the period in which the exchange rate changes.
- c. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the period.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

- d. As per the risk management policy, the Company has taken foreign currency swap to cover the risk exposure on account of foreign currency loans. Such transactions are structured in such a way that the Company's foreign currency liability is crystallized at a rate of exchange prevailing on the date of taking the swap. Accordingly, no loss or gain is expected on the settlement of swap as compared to the rate of exchange prevailing on the date of the swap. In such cases, foreign currency gains/losses on currency swap contracts are recognised to the extent of loss/gain on the underlying loan liabilities.
- e. Interest rate swaps in the nature of hedge, taken to manage interest rate risk on foreign currency liabilities, whereby variable interest rate is swapped for fixed interest rate, are recognized on accrual basis at fixed interest rate and charged to the Statement of Profit and Loss.

## 7) Investments:

In respect of the Company (MMFSL), in terms of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, investments held as long-term investments are generally carried at cost comprising of acquisition and incidental expenses. Long-term investments in structured instruments are carried at cost less principal repayments till reporting date. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income from investments. The book value of the investments is reduced to the extent of amount amortised during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

## 8) Loans against assets:

Loans against assets are stated at agreement value net of instalments received less unmatured finance charges.

## 9) Employee benefits:

### (a) Contribution to Provident Fund -

Company's contribution paid/payable during the year to provident fund and labour welfare fund are recognised in the Statement of Profit and Loss.

### (b) Gratuity -

The Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

### (c) Superannuation -

The Company makes contribution to the Superannuation scheme, a defined contribution scheme, administered by Life Insurance Corporation of India. Contributions to the scheme are charged to Statement of Profit and Loss. The Company has no obligation to the scheme beyond its monthly contributions.

### (d) Leave encashment/compensated absences -

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

## 10) Borrowing costs:

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. All other borrowing costs are charged to the Statement of Profit and Loss. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## 11) Current and deferred tax:

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax 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 is accounted for using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date. 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. Other deferred tax assets are recognised only when there is a reasonable certainty of their realisation.

## 12) Share issue expenses:

Expenses incurred in connection with fresh issue of Share Capital are adjusted against Securities Premium reserve or charged to Statement of Profit and Loss in the year in which they are incurred.

## 13) Impairment of assets:

The carrying value of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor.

## 14) Provisions and contingent liabilities:

Provisions: Provisions are recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising

from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

## 15) 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 (i.e. excess of market value of shares over the exercise price of the option at the date of grant). Compensation cost is amortized over the vesting period of the option on a straight line basis. The options which have lapsed are reversed by a credit to Employee compensation cost, equal to the amortised portion of value of lapsed portion and credit to Deferred employee compensation cost equal the unamortised portion.

## 16) Lease:

Payments under operating lease arrangements are recognized as per the terms of the lease.

## 17) Earnings Per Share:

Basic Earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, sub-division of shares, etc. that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 1 SHARE CAPITAL</b>		
<b>Authorised capital:</b>		
70,00,00,000 equity shares of Rs.2/- each	14,000.00	14,000.00
50,00,00,000 Redeemable preference shares of Rs.100/- each	5,000.00	5,000.00
<b>Issued capital:</b>		
56,87,64,960 equity shares of Rs.2/- each	11,375.30	11,375.30
<b>Subscribed and paid-up capital:</b>		
56,87,64,960 equity shares of Rs.2/- each fully paid up	11,375.30	11,375.30
Less : Shares issued to ESOS trust but not allotted by it to employees (41,63,582 equity shares of Rs.2/- each (March 2015 : 46,24,289 equity shares of Rs.2/- each))	83.27	92.49
<b>Total</b>	<b>11,292.03</b>	<b>11,282.81</b>

	As at March 31			
	2016		2015	
	Number of shares	Rs. in Lacs	Number of shares	Rs. in Lacs
<b>a) Reconciliation of number of equity shares -</b>				
Balance at the beginning of the year	568764960	11,375.30	568764960	11,375.30
Add : Fresh allotment of shares	-	-	-	-
<b>Balance at the end of the year</b>	<b>568764960</b>	<b>11,375.30</b>	<b>568764960</b>	<b>11,375.30</b>
<b>b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries/associates:</b>				
Holding company : Mahindra & Mahindra Limited	291207660	5,824.15	291207660	5,824.15
Percentage of holding (%)	51.20%	51.20%	51.20%	51.20%
<b>c) Shareholders holding more than 5 percent shares:</b>				
Mahindra & Mahindra Limited	291207660	5,824.15	291207660	5,824.15
Percentage of holding (%)	51.20%	51.20%	51.20%	51.20%

### d) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs.2/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### e) Shares issued to ESOS Trust

The Guidance note issued by The Institute of Chartered Accountants of India on accounting for employee share-

based payment requires that shares allotted to a Trust but not transferred to the employees be reduced from Share capital and Reserves. Accordingly, the Company has reduced the Share capital by Rs. 83.27 Lacs (March 31, 2015 : Rs. 92.49 Lacs) in respect of 41,63,582 equity shares of face value of Rs. 2/- each (March 31, 2015 : 46,24,289 equity shares of face value of Rs. 2/- each) pertaining to Employee Stock Option Scheme 2005 and Employee Stock Option Scheme 2010 and Securities premium reserve by Rs. 64.39 Lacs (March 31, 2015 : Rs. 64.39 Lacs) in respect of 7,85,275 equity shares (March 31, 2015 : 7,85,275 equity shares) pertaining to Employee Stock Option Scheme 2005 held by the Trust, as at the year-end pending allotment of shares to eligible employees.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
<b>NOTE 2 RESERVES AND SURPLUS</b>		
<b>Capital redemption reserve:</b>		
Balance as at the beginning of the year	5,000.00	5,000.00
Add : Transfer during the year	-	-
	<b>5,000.00</b>	<b>5,000.00</b>
Less : Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Securities premium reserve:</b>		
Balance as at the beginning of the year	2,02,324.25	2,01,824.74
Add : Additions during the year on account of -		
i) Exercise of employee stock options	928.15	499.51
ii) Fresh issue of shares	-	-
	<b>2,03,252.40</b>	<b>2,02,324.25</b>
Less : Deductions during the year in respect of share issue expenses	-	-
<b>Balance as at the end of the year</b>	<b>2,03,252.40</b>	<b>2,02,324.25</b>
Less : Shares issued to ESOP trust but not allotted to employees pertaining to Employees Stock Option Scheme 2005	64.39	64.39
<b>Net balance as at the end of the year</b>	<b>2,03,188.01</b>	<b>2,02,259.86</b>
<b>Statutory reserve:</b>		
Balance as at the beginning of the year	1,01,279.18	83,352.56
Add : Transfers from Surplus in the Statement of Profit and Loss	15,486.38	17,926.62
	<b>1,16,765.56</b>	<b>1,01,279.18</b>
Less : Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>1,16,765.56</b>	<b>1,01,279.18</b>
<b>General reserve:</b>		
Balance as at the beginning of the year	46,358.20	37,480.45
Add : Transfers from Surplus in the Statement of Profit and Loss	6,726.00	8,877.75
	<b>53,084.20</b>	<b>46,358.20</b>
Less : Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>53,084.20</b>	<b>46,358.20</b>
<b>Foreign exchange fluctuation reserve:</b>		
Balance as at the beginning of the year	1,885.69	1,312.48
Add : Additions during the year	1,036.49	573.21
	<b>2,922.18</b>	<b>1,885.69</b>
Less : Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>2,922.18</b>	<b>1,885.69</b>
<b>Employees stock options outstanding:</b>		
<b>A) Employee Stock Option Outstanding:</b>		
Balance as at the beginning of the year	5,241.45	1,333.81
Add : Fresh grant of options	139.10	4,465.00
	<b>5,380.55</b>	<b>5,798.81</b>
Less : Transfers/reversals during the year		
i) Transfers to securities premium reserve on exercise of options	928.15	499.51
ii) Reversals for options lapsed	16.72	57.85
<b>Balance as at the end of the year (A)</b>	<b>4,435.68</b>	<b>5,241.45</b>
Less:		
<b>B) Deferred Employee Compensation:</b>		
Balance as at the beginning of the year	3,599.85	462.18
Add : Fresh grant of options	139.10	4,465.00
	<b>3,738.95</b>	<b>4,927.18</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 2 RESERVES AND SURPLUS</b>		
Less : Amortisation during the year		
i) Transfer to employee benefit expenses (refer note no. 22)	1,727.88	1,269.48
ii) Reversals for options lapsed	16.72	57.85
<b>Balance as at the end of the year (B)</b>	<b>1,994.35</b>	<b>3,599.85</b>
<b>Balance as at the end of the year (A-B)</b>	<b>2,441.33</b>	<b>1,641.60</b>
<b>Surplus in Statement of profit and loss:</b>		
Balance as at the beginning of the year	2,24,564.35	1,87,814.12
Less : Transitional depreciation charge (net of deferred tax) on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24). **	-	329.77
	<b>2,24,564.35</b>	<b>1,87,484.35</b>
Add : Adjustments as per the Scheme of Amalgamation	-	529.87
Add : Profit for the year transferred from the Statement of Profit and Loss	77,229.36	91,290.54
	<b>3,01,793.71</b>	<b>2,79,304.76</b>
<b>Less : Appropriations:</b>		
General reserve	6,726.00	8,877.75
Statutory reserve	15,486.38	17,926.62
Proposed dividend on equity shares	22,750.60	22,750.60
Corporate dividend tax on equity shares	4,584.26	4,552.41
Deferred Tax Liability on Special Reserve adjustments **	-	633.03
	<b>49,547.24</b>	<b>54,740.41</b>
<b>Balance as at the end of the year</b>	<b>2,52,246.47</b>	<b>2,24,564.35</b>
<b>Total</b>	<b>6,35,647.75</b>	<b>5,82,988.88</b>

\*\* excluding share attributable to minority interest.

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 3 LONG-TERM BORROWINGS</b>		
<b>a ) Secured - #</b>		
Non-convertible debentures (refer note no. 50(i)(a)) \$	7,30,390.00	3,57,040.00
Term loans:		
- from banks (refer note no. 50(ii)(a))	7,14,494.28	7,87,597.03
- from others (refer note no. 50(iii)(a))	15,186.00	21,682.49
Foreign currency loans		
- from banks (refer note no. 50(iv)(a))	53,227.83	12,500.00
- from others (refer note no. 50(v)(a))	1,08,561.47	75,101.31
<b>Total</b>	<b>16,21,859.58</b>	<b>12,53,920.83</b>
<b>b) Unsecured -</b>		
Unsecured bonds (Subordinate debts ) (refer note no. 51(i)(a)) \$	1,24,410.00	1,00,910.00
Term loans:		
- from banks (refer note no. 51(ii)(a))	-	10,000.00
Fixed deposits (refer note no. 51(iv)(a))	2,87,851.01	3,21,693.83
<b>Total</b>	<b>4,12,261.01</b>	<b>4,32,603.83</b>
<b>Total (a+b)</b>	<b>20,34,120.59</b>	<b>16,86,524.66</b>

# All secured loans/debentures are secured by paripassu charges on office premises and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans/debentures.

\$ The funds raised by the Company during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended, i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.



# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 4 OTHER LONG-TERM LIABILITIES</b>		
Deposits/advances received against loan agreements (refer note no. 39)	2,338.12	1,804.35
Interest accrued but not due on borrowings	31,390.82	19,283.53
Deferred subvention income	2,296.12	2,508.93
Unrealised gains on loan transfers under securitisation transactions (refer note no. 42(c))	4,730.46	5,175.94
Cash profit on loan transfers under assignment transactions pending recognition	5.64	35.22
Other long term liabilities	1.00	-
Premium on forward exchange contracts	2,501.83	1,440.00
<b>Total</b>	<b>43,263.99</b>	<b>30,247.97</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 5 LONG-TERM PROVISIONS</b>		
Provisions for employee benefits (refer note no. 40)	1,244.91	1,316.61
<b>Others:</b>		
Provisions for Non-performing assets (refer note no. 33(a), 34 and 35)	39,513.68	26,419.74
Contingent provisions for standard assets (refer note no. 33(b) and 35)	8,413.39	7,504.79
Higher provisions on restructured standard advances (refer note no. 33(d))	8.52	17.77
Provisions for diminution in the fair value of restructured advances (refer note no. 33(d))	3.90	7.62
<b>Total</b>	<b>49,184.40</b>	<b>35,266.53</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 6 SHORT TERM BORROWINGS</b>		
<b>a) Secured - #</b>		
Term loans from banks (refer note no. 51(i))	41,400.00	75,600.00
Cash credit facilities with banks (refer note no. 51(i))	82,929.05	59,754.56
Foreign currency loans (refer note no. 51(ii))	55,269.45	36,064.29
<b>Total</b>	<b>1,79,598.50</b>	<b>1,71,418.85</b>
<b>b) Unsecured -</b>		
Loans and advances from related parties (ICDs) (refer note no. 50(iii)(b))	30,000.00	-
Fixed deposits (refer note no. 50(iv)(a))	16,154.68	6,943.06
Commercial Papers (CPs) (refer note no. 51(iii))	2,96,000.00	3,47,500.00
<b>Total</b>	<b>3,42,154.68</b>	<b>3,54,443.06</b>
<b>Total (a+b)</b>	<b>5,21,753.18</b>	<b>5,25,861.91</b>

# All secured loans/debentures are secured by pari passu charges on office premises and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans/debentures.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 7 TRADE PAYABLES</b>		
<b>a) Trade payables of Micro, Small and Medium Enterprises</b>		
- Finance	-	-
- Expenses	-	-
<b>b) Trade payables other than Micro, Small and Medium Enterprises</b>		
- Finance	33,708.78	35,102.69
- Expenses	17,016.71	14,442.54
<b>Total</b>	<b>50,725.49</b>	<b>49,545.23</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 8 OTHER CURRENT LIABILITIES</b>		
<b>Current maturities of long-term debt</b>		
<b>a) Secured - #</b>		
<b>Non-convertible debentures (refer note no. 50(i)(b)) \$</b>	2,34,470.00	1,52,270.00
Term loans		
- from banks (refer note no. 50(ii)(b))	3,57,386.09	3,43,954.34
- from others (refer note no. 50(iii)(b))	6,109.49	7,039.44
<b>Foreign currency loans</b>		
- from banks (refer note no. 50(iv)(b))	26,932.51	42,044.47
- from others (refer note no. 50(v)(b))	52,566.87	35,853.50
	<b>6,77,464.96</b>	<b>5,81,161.75</b>
<b>b) Unsecured -</b>		
Fixed deposits (refer note no. 51(iv)(c))	1,61,030.66	1,29,621.50
Term loan from banks (refer note no. 51(ii)(b))	10,000.00	-
	<b>1,71,030.66</b>	<b>1,29,621.50</b>
Interest accrued but not due on borrowings	57,784.61	40,486.58
Unclaimed dividends	52.14	57.69
Deposits/advances received against loan agreements (refer note no. 39)	1,581.54	1,460.65
Amount received in advance from ESOS Trust	147.66	156.88
Credit balances in current accounts with banks as per books	43,682.72	28,370.30
Deferred subvention income	2,108.73	2,284.76
Unrealised gains on loan transfers under securitisation transactions (refer note no. 42(c))	20,665.25	19,175.40
Cash profit on loan transfers under assignment transactions pending recognition	17.93	85.42
Insurance premium payable	2,947.33	3,840.65
Payables under assignment/securitisation transactions	1,871.91	2,932.13
Taxes deducted at Source	3,352.08	3,142.33
Premium payable to bank under forward exchange contracts on FCNR loans	2,181.64	-
Others	6,142.11	5,449.98
<b>Total</b>	<b>9,91,031.27</b>	<b>8,18,226.02</b>

# All secured loans/debentures are secured by pari passu charges on office premises and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans/debentures.

\$ The funds raised by the company (MMFSL) during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended, i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
<b>NOTE 9 SHORT-TERM PROVISIONS</b>		
Provisions for employee benefits (refer note no. 40)	6,388.55	4,998.54
<b>Others:</b>		
Provisions for estimated loss/expenses on assignments	-	6,756.56
Provisions for Non-performing assets (refer note no. 33(a), 34 and 35)	1,16,541.39	73,535.35
Contingent provisions for standard assets (refer note no. 33(b) and 35)	6,836.01	5,968.86
Higher provisions on restructured standard advances (refer note no. 33(d))	13.79	4.54
Provisions for diminution in the fair value of restructured advances (refer note no. 33(d))	6.30	1.94
Proposed dividend on equity shares #	22,750.60	22,750.60
Corporate dividend tax #	4,376.27	4,424.02
<b>Total</b>	<b>1,56,912.91</b>	<b>1,18,440.41</b>

# The Board of Directors have recommended a dividend of Rs. 4/- per share on equity shares of face value of Rs. 2/- each (March 31, 2015: Rs. 4/- per share on equity shares of face value Rs. 2/- each) for the current financial year. The dividend will absorb a sum of Rs. 27,126.87 Lacs (March 31, 2015: Rs. 27,174.62 Lacs) including dividend distribution tax.

The Central Government in consultation with National Advisory Committee on Accounting Standards has amended Companies (Accounting Standards) Rules, 2006 ('principal rules'), vide notification issued by Ministry of Corporate Affairs dated March 30, 2016. The Companies (Accounting Standards) Rules, 2016 is effective from March 30, 2016. According to the amended rules, the proposed dividend mentioned above need not be recorded as a liability as at March 31, 2016 (Refer Para 8.5 of AS-4 – Contingencies and Events occurring after Balance Sheet date). The Company believes that the Rule 3(2) of the principal rules has not been withdrawn or replaced and accordingly, the Companies (Accounting Standards) Rules, 2016 will apply for the accounting periods commencing on or after March 30, 2016. Therefore, the Company has recorded Rs. 27,126.87 lacs as liability for proposed dividend (including corporate dividend distribution tax) as at March 31, 2016.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Asset description	Gross Block at Cost				Depreciation & Amortisation				Net Block	
	As at 1st April, 2015	As at Additions	Deductions/ adjustments	As at 31st March, 2016	As at 1st April, 2015	Transitional depreciation #	Additions	Deductions/ adjustments	As at 31st March, 2016	As at 1st April, 2015
	108.92	23.12	0.00	132.04	19.41	-	1.96	-	21.37	110.67
<b>i) Tangible assets:</b>										
Premises	108.92	23.12	0.00	132.04	19.41	-	1.96	-	21.37	110.67
Computers	5,534.78	1,225.36	281.24	6,478.90	3,902.62	-	952.69	280.60	4,574.71	1,904.19
Furniture and Fixtures	4,490.89	1,093.96	50.06	5,534.79	2,238.21	435.62	1,277.45	48.64	3,902.64	1,632.15
Vehicles	6,976.96	735.98	68.47	7,644.47	2,932.55	-	867.19	59.01	3,740.73	3,903.74
Office Equipment	6,373.10	622.26	18.42	6,976.94	2,089.71	36.38	818.48	12.02	2,932.55	4,044.39
<b>Total (i)</b>	<b>24,827.56</b>	<b>5,198.04</b>	<b>1,155.15</b>	<b>28,870.45</b>	<b>13,411.62</b>	<b>- 4,131.51</b>	<b>1,018.62</b>	<b>16,524.51</b>	<b>12,345.94</b>	<b>11,415.94</b>
As on 31-03-2015	21,226.48	3,964.67	363.59	24,827.56	8,876.27	517.74	4,269.01	251.40	13,411.62	11,415.94
<b>ii) Intangible assets:</b>										
Computer software	1,868.29	527.53	-	2,395.82	1,402.25	-	438.27	-	1,840.52	555.30
Goodwill*	1,614.60	253.69	-	1,868.29	1,120.50	-	281.75	-	1,402.25	466.04
<b>Total (ii)</b>	<b>1,872.34</b>	<b>527.53</b>	<b>-</b>	<b>2,399.87</b>	<b>1,402.25</b>	<b>-</b>	<b>438.27</b>	<b>-</b>	<b>1,840.52</b>	<b>559.35</b>
As on 31-03-2015	1,618.65	253.69	-	1,872.34	1,120.50	-	281.75	-	1,402.25	470.09
<b>Total (i+ii)</b>	<b>26,699.90</b>	<b>5,725.57</b>	<b>1,155.15</b>	<b>31,270.32</b>	<b>14,813.87</b>	<b>- 4,569.78</b>	<b>1,018.62</b>	<b>18,365.03</b>	<b>12,905.29</b>	<b>11,886.03</b>
As on 31-03-2015	22,845.13	4,218.36	363.59	26,699.90	9,996.77	517.74	4,550.76	251.40	14,813.87	11,886.03

Previous year figures are in Italics.

\* Goodwill arising on consolidation

# represents transitional depreciation charge adjusted in opening balance of Surplus in Statement of Profit and Loss (as on 1 April 2014) on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24).

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 11 NON-CURRENT INVESTMENTS</b>		
<b>i) Quoted (at cost) : Trade</b>		
Government securities (refer note no.11 (i))	63,220.81	50,612.79
Secured redeemable non-convertible debentures (refer note no. 11(ii))	2,000.01	5,354.17
(Non-current portion of long term investments in secured redeemable non-convertible debentures)		
	<b>(A)</b>	<b>65,220.82</b>
		<b>55,966.96</b>
<b>ii) Unquoted (at cost):</b>		
<b>(a) Equity investment in other entities:</b>		
New Democratic Electoral Trust	0.05	0.05
(500 equity shares of Rs.10/- each fully paid up; March 2015: Nil)		
	<b>(B)</b>	<b>0.05</b>
		<b>0.05</b>
<b>Total (A + B)</b>		<b>65,220.87</b>
		<b>55,967.01</b>
<b>Additional Information:</b>		
Aggregate amount of quoted investments and market value -		
i) Aggregate amount	65,220.82	55,966.96
ii) Market value	67,928.16	58,916.61
Aggregate amount of unquoted investments	0.05	0.05

**i) Details of quoted Long-term investments in Government stock:  
As at March 31, 2016:**

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Govt Stock 10.25%-30/05/2021	100	1000000	1,070.70
Govt Stock 8.20%-15/02/2022	100	1000000	1,005.27
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.54
Govt Stock 8.13%-21/09/2022	100	1500000	1,506.11
Govt Stock 8.13%-21/09/2022	100	500000	490.95
Govt Stock 8.13%-21/09/2022	100	500000	490.71
Govt Stock 8.13%-21/09/2022	100	1000000	955.80
Govt Stock 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,030.88
Govt Stock 9.15%-14/11/2024	100	2500000	2,648.71
Govt Stock 9.15%-14/11/2024	100	1000000	1,099.95
MP SDL 8.15%-13/11/2025	100	2500000	2,501.01
TN SDL 8.27%-23/12/2025	100	1000000	1,002.00
UP SDL 8.39% 27/01/2026	100	500000	500.66
UP SDL 8.39% 27/01/2026	100	1000000	1,001.31
Govt Stock 8.33%-09/07/2026	100	2000000	2,062.09
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.24%-15/02/2027	100	1000000	1,016.75
Govt Stock 8.28%-21/09/2027	100	1500000	1,380.75
Govt Stock 8.28%-21/09/2027	100	2000000	1,868.10

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 8.28%-21/09/2027	100	2000000	1,867.90
Govt Stock 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.33
Govt Stock 8.97%-05/12/2030	100	1000000	1,026.39
Govt Stock 8.97%-05/12/2030	100	1000000	1,027.65
Govt Stock 8.97%-05/12/2030	100	500000	515.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,031.33
Govt Stock 8.97%-05/12/2030	100	500000	524.88
Govt Stock 8.97%-05/12/2030	100	1000000	1,040.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,594.21
Govt Stock 8.97%-05/12/2030	100	1000000	1,104.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,088.07
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,191.79
Govt Stock 8.28%-15/02/2032	100	2500000	2,401.50
Govt Stock 8.32%-02/08/2032	100	1000000	1,010.56
Govt Stock 8.32%-02/08/2032	100	1000000	1,031.88
Govt Stock 8.24%-10/11/2033	100	1000000	1,026.53
Govt Stock 8.33%-07/06/2036	100	1500000	1,549.82
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.83%-12/12/2041	100	1000000	1,017.45
Govt Stock 8.83%-12/12/2041	100	1000000	1,022.75
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
<b>Total</b>		<b>63500000</b>	<b>63,220.81</b>

## As at March 31, 2015:

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Govt Stock 10.25%-30/05/2021	100	1000000	1,084.47
Govt Stock 8.13%-21/09/2022	100	1500000	1,507.06
Govt Stock 8.20%-15/02/2022	100	1000000	1,006.17
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.80
Govt Stock 8.13%-21/09/2022	100	500000	490.95
Govt Stock 8.13%-21/09/2022	100	500000	490.71
Govt Stock 8.13%-21/09/2022	100	1000000	955.80
Govt Stock 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,034.93
Govt Stock 9.15%-14/11/2024	100	2500000	2,666.00
Govt Stock 9.15%-14/11/2024	100	1000000	1,111.57
Govt Stock 8.28%-21/09/2027	100	1500000	1,380.75
Govt Stock 8.28%-21/09/2027	100	2000000	1,868.10
Govt Stock 8.28%-21/09/2027	100	2000000	1,867.90
Govt Stock 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,028.19

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 8.97%-05/12/2030	100	1000000	1,029.53
Govt Stock 8.97%-05/12/2030	100	500000	516.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,033.47
Govt Stock 8.97%-05/12/2030	100	500000	526.58
Govt Stock 8.97%-05/12/2030	100	1000000	1,042.83
Govt Stock 8.97%-05/12/2030	100	1500000	1,600.64
Govt Stock 8.97%-05/12/2030	100	1000000	1,111.60
Govt Stock 8.97%-05/12/2030	100	1000000	1,094.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,204.88
Govt Stock 8.28%-15/02/2032	100	2500000	2,401.50
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.83%-12/12/2041	100	1000000	1,018.13
Govt Stock 8.83%-12/12/2041	100	1000000	1,023.64
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
<b>Total</b>		<b>51000000</b>	<b>50,612.79</b>

In respect of MMFSL, quoted investments of Rs. 63,220.81 Lacs (March 31, 2015 : Rs. 50,612.79 Lacs) are in 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 January 04, 2007 issued by The Reserve Bank of India.

## ii. Details of investments in Secured redeemable non-convertible debentures:

As at March 31, 2016:

Sr. No.	ISIN Description	Total Quantity	Face Value	Rs. in Lacs		Total
				(a) Non Current	(b) Current	
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
8	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	100	1000	-	250.00	250.00
9	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	200	2000	-	833.33	833.33
10	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	150	1500	-	375.00	375.00

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value	(a) Non Current	(b) Current	Total
11	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
12	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
13	INTREPID FINANCE AND LEASING PRIVATE LIMITED SR-F 13 XIRR NCD 28AG17 FVRS750000	80	800	166.67	400.00	566.67
14	LIGHT MICROFINANCE PRIVATE LIMITED SR-F 13.6 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
15	M POWER MICROFINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
16	SAIJA FINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	80	800	166.67	400.00	566.67
17	SATIN CREDITCARE NETWORK LIMITED SR-F 12.3 XIRR NCD 28AG17 FVRS10LAC	300	3000	625.00	1,500.00	2,125.00
18	SV CREDITLINE PVT. LTD. SR-F 12.75 XIRR NCD 28AG17 FVRS10LAC	200	2000	416.67	1,000.00	1,416.67
19	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 12.75 XIRR NCD 28AG17 FVRS750000	150	1500	312.50	750.00	1,062.50
<b>Total</b>				<b>2,000.01</b>	<b>9,279.17</b>	<b>11,279.18</b>

**Note:** Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of issue.

## As at March 31, 2015:

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. in lacs)	(a) Non Current	(b) Current	Total
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000.00	416.67	500.00	916.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000.00	416.67	500.00	916.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500.00	625.00	750.00	1,375.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
8	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	100	1000.00	250.00	500.00	750.00



# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

						Rs. in Lacs
Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. in lacs)	(a) Non Current	(b) Current	Total
9	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
10	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	100	1000.00	250.00	500.00	750.00
11	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	200	2000.00	833.33	1,000.00	1,833.33
12	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	150	1500.00	375.00	750.00	1,125.00
13	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
14	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
<b>Total</b>				<b>5,354.17</b>	<b>7,875.00</b>	<b>13,229.17</b>

**Note:** Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of issue.

			As at March 31	
			2016	2015
<b>NOTE 12 DEFERRED TAX ASSETS (NET)</b>				
<b>Deferred tax assets</b>				
Provisions for non performing assets/loss and expenses on assignments			54,163.79	36,985.97
Provisions for standard assets			5,280.12	4,662.96
Other disallowances			1,479.98	983.15
Difference between written down value of assets as per books of account and Income Tax Act, 1961			1,006.12	700.50
		<b>(a)</b>	<b>61,930.01</b>	<b>43,332.58</b>
<b>Deferred tax liabilities</b>				
Special Reserve			2,006.08	1,206.81
		<b>(b)</b>	<b>2,006.08</b>	<b>1,206.81</b>
<b>Net Deferred tax assets</b>		<b>(a) - (b)</b>	<b>59,923.93</b>	<b>42,125.77</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 13 LONG-TERM LOANS AND ADVANCES</b>		
<b>Unsecured, considered good unless otherwise stated:</b>		
Capital advances	152.97	282.24
Deposits for office premises/others	2,211.70	1,954.20
Other loans and advances	61.90	42.71
Loans against assets (secured, including overdue loans) #	22,72,274.36	19,77,507.70
Retained interest in Pass Through Certificates under securitization transactions (refer note no. 42(e))	162.02	403.46
Retained interest under assignment transitions	150.75	257.64
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 42(c))	4,730.45	5,175.94
Loans and advances (including overdue loans) @	4,460.89	3,202.55
# Includes non-performing assets of Rs. 77,911.67 lacs (March 2015 : 51,958.78 lacs) (refer note no. 5, 9, 33(a) and 34)		
@ Includes non-performing assets of Rs. 388.39 lacs (March 2015 : Rs.214.80 lacs) (refer note no. 5, 9 and 33(a))		
<b>Total</b>	<b>22,84,205.04</b>	<b>19,88,826.44</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 14 OTHER NON-CURRENT ASSETS</b>		
Term deposits with banks with maturity greater than 12 months		
- Free	-	4,086.77
- Under lien (refer note no. 17)	3,370.23	18,414.12
Derivative contract receivables	459.52	-
Exchange gain receivable on forward contracts on FCNR loans	391.45	168.00
Deferred premium on FCNR loan forward contracts	1,015.24	594.57
<b>Total</b>	<b>5,236.44</b>	<b>23,263.46</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 15 CURRENT INVESTMENTS</b>		
<b>i) Quoted -</b>		
Units of mutual funds @	5,569.66	74.80
Secured redeemable non-convertible debentures (refer note no. 11(2)(b)) (Current portion of long term investments in secured redeemable non-convertible debentures)	9,279.17	7,875.00
	<b>14,848.83</b>	<b>7,949.80</b>
<b>ii) Unquoted (at cost) -</b>		
Certificate of deposits with banks #	24,821.50	-
Commercial Papers (CPs)	15,000.00	1,500.00
(1500 CP instruments, face value of Rs.5.00 Lacs per CP issued by IMFR Capital Finance Private Limited and 1500 CP instruments, face value of Rs.5.00 Lacs per CP issued by Janalakshmi Financial Services Limited ; March 31, 2015 : 300 CP instruments, face value of Rs.5.00 Lacs per CP issued by IKF Finance Limited)		
	<b>39,821.50</b>	<b>1,500.00</b>
<b>Total</b>	<b>54,670.33</b>	<b>9,449.80</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>ADDITIONAL INFORMATION:</b>		
Aggregate amount of quoted investments and market value		
Aggregate amount	14,848.83	7,949.80
Market Value*	14,848.83	7,949.80
Aggregate amount of unquoted investments	39,821.50	1,500.00

\* Of the total quoted investments mentioned above, book value for secured redeemable non-convertible debentures is taken as market value as in the absence of trades, market quotes are not available.

## @ Details of quoted current investments in Units of Mutual Fund

As at March 31, 2016:

Particulars	Units	Amount
KOTAK MUTUAL FUND	137613.67	3,379.67
ICICI PRUDENTIAL MUTUAL FUND	410474.45	907.36
RELIANCE MUTUAL FUND	35243.43	1,282.63
<b>Total</b>		<b>5,569.66</b>

As at March 31, 2015:

Particulars	Units	Amount
JM MUTUAL FUND	717185.28	74.80
<b>Total</b>		<b>74.80</b>

## # Details of unquoted current investments in Certificate of deposits

As at March 31, 2016:

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
IDBI BANK	100000	5000	4,992.89
IDBI BANK	100000	10000	9,982.22
ORIENTAL BANK OF COMMERCE	100000	10000	9,846.39
<b>Total</b>		<b>25000</b>	<b>24,821.50</b>

As at March 31, 2015 : Nil

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 16 TRADE RECEIVABLES</b>		
<b>Secured, considered doubtful:</b>		
Trade receivable on hire purchase transactions # (outstanding for a period exceeding six months)	374.19	375.53
<b>Unsecured, considered good unless otherwise stated:</b>		
Outstanding for a period exceeding six months #	65.02	77.69
Outstanding for a period not exceeding six months #	1,561.24	1,000.93
# Includes non-performing assets of Rs. 413.21 Lacs (March 2015 : Rs. 398.29 Lacs) (refer note no. 5, 9 and 33(a))		
<b>Total</b>	<b>2,000.45</b>	<b>1,454.15</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 17 CASH AND BANK BALANCE</b>		
<b>Cash and cash equivalents:</b>		
Cash on hand	2,772.55	1,929.42
Cheques and drafts on hand	544.34	296.98
Bank balance in current accounts	20,632.25	18,322.73
	<b>23,949.14</b>	<b>20,549.13</b>
<b>Other bank balances:</b>		
Earmarked balances with banks -		
- Unclaimed dividend accounts with banks	53.45	59.01
Term deposits with original maturity of more than 3 but less than 12 months	92.00	-
Term deposits under lien (refer note no. 17)	36,880.77	28,755.88
	<b>37,026.22</b>	<b>28,814.89</b>
<b>Total</b>	<b>60,975.36</b>	<b>49,364.02</b>

## Details of term deposits under lien:

Rs. in Lacs

	As at March 31, 2016			As at March 31, 2015		
	Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
Term deposits for SLR (i)	15,307.00	2,470.00	17,777.00	10,783.00	13,722.00	24,505.00
Collateral deposits for securitization transactions (ii)	21,380.77	513.23	21,894.00	17,469.88	4,615.12	22,085.00
Legal deposits (iii)	3.00	17.00	20.00	3.00	17.00	20.00
Margin deposits towards Constituent Subsidiary General Ledger (CSGL) account (iv)	190.00	310.00	500.00	500.00	-	500.00
Under lien with IRDA for broking license (v)	-	60.00	60.00	-	60.00	60.00
<b>Total</b>	<b>36,880.77</b>	<b>3,370.23</b>	<b>40,251.00</b>	<b>28,755.88</b>	<b>18,414.12</b>	<b>47,170.00</b>

# Term deposits with scheduled banks under lien include:

- Rs. 17,777.00 Lacs (March 31, 2015 : Rs. 24,505.00 Lacs) being the Term deposits kept with 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 January 04, 2007 issued by The Reserve Bank of India.
- Rs. 21,894.00 Lacs (March 31, 2015 : Rs. 22,085.00 Lacs) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitization transactions (refer note no. 42 (f)).
- Rs. 20.00 Lacs (March 2015 : Rs.20.00 Lacs) as special deposits kept with banks towards guarantee against legal suits filed by the Company.
- Rs. 500.00 Lacs (March 2015 : Rs. 500 Lacs) as collateral deposits kept with banks towards Constituent Subsidiary General Ledger (CSGL) account for holding securities for SLR purpose.
- In respect of MIBL, Term deposits with Insurance Regulatory & Development Authority of India for broking licence Rs. 60 Lacs (March 2015: Rs. 60.00 Lacs).

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 18 SHORT-TERM LOANS AND ADVANCES</b>		
<b>Secured, considered good unless otherwise stated:</b>		
Loans against assets (secured, including overdue loans) #	17,31,541.51	15,02,304.31
<b>Unsecured, considered good unless otherwise stated:</b>		
Retained interest in Pass Through Certificates (PTC) under securitization transactions (refer note no.42(e))	310.32	839.89
Retained interest under assignment transactions	143.30	524.46
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 42(c))	20,665.26	19,175.40
Loans and advances (including overdue loans) @	12,684.31	13,560.56
Bills of Exchange	29,447.55	14,955.03
Trade Advances @	1,16,616.51	1,05,574.35
Inventory funding (secured, including overdue loans)	21,752.81	9,896.55
Inter corporate deposits given @	100.00	100.00
Deposits for office premises/others	402.31	375.83
Advance payment of taxes (net of provisions)	10,422.07	6,343.48
Other Short term advances	2,607.65	2,548.51
# Includes non-performing assets of Rs. 2,15,292.80 Lacs (March 2015 : Rs. 1,36,103.12 Lacs) (refer note no. 5, 9, 33(a) and 34)		
@ Includes non-performing assets of Rs. 2,443.46 Lacs (March 2015 : Rs. 2,050.78 Lacs) (refer note no.5, 9, 33(a))		
<b>Total</b>	<b>19,46,693.60</b>	<b>16,76,198.37</b>

Rs. in Lacs

	As at March 31	
	2016	2015
<b>NOTE 19 OTHER CURRENT ASSETS</b>		
Interest accrued on -		
a) Investments	1,232.70	958.56
b) Others deposits	3,389.16	2,281.44
Derivative contracts receivables	-	784.47
Exchange gains receivable on forward contracts on FCNR loans	888.13	-
Deferred premium on FCNR loan forward contracts	3,341.21	722.96
<b>Total</b>	<b>8,851.20</b>	<b>4,747.43</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 20 REVENUE FROM OPERATIONS</b>		
<b>a) Interest</b>		
Income from loans	5,82,766.20	5,30,058.94
Income from hire purchase	26.09	31.64
Interest on term deposits/Inter-corporate deposits/Bonds etc.	6,356.72	5,542.22
Interest on retained interest in PTCs under securitization transactions	43.55	97.12
Interest on government securities		
- Long term	4,710.02	3,710.69
	<b>(a) 5,93,902.58</b>	<b>5,39,440.61</b>
<b>b) Other financial services</b>		
Income from insurance business/services	11,043.64	9,663.44
Service charges and other fees on loan transactions	26,758.29	25,369.11
Income from hire purchase	0.13	0.20
Income from bill discounting	3,047.41	2,018.08
Income from lease	1.24	0.51
Income from assignment/securitisation transactions (refer note no. 42)	20,633.45	25,622.33
	<b>(b) 61,484.16</b>	<b>62,673.67</b>
<b>Total</b>	<b>6,55,386.74</b>	<b>6,02,114.28</b>

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 21 OTHER INCOME</b>		
Dividend income on		
- Current investments in mutual fund units	163.78	84.89
Profit/premium on sale/redemption of:		
- Current investments	1.16	468.64
Profit on sale/retirement of owned assets (net)	107.10	15.13
Income from shared services	3,027.53	2,418.96
Others	1,065.44	988.66
<b>Total</b>	<b>4,365.01</b>	<b>3,976.28</b>

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 22 EMPLOYEE BENEFITS EXPENSE</b>		
Salary, bonus and incentives	61,897.06	49,931.47
Contribution to provident fund and other funds	4,563.15	3,704.05
Employee stock compensation costs # (refer note no.31(g))	1,748.82	1,288.63
Staff welfare expenses	2,200.19	1,786.04
<b>Total</b>	<b>70,409.22</b>	<b>56,710.19</b>

# Inclusive of ESOP costs reimbursements (net) to the holding company Rs. 17.24 Lacs (March 2015: Rs. 19.15 Lacs).

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 23 FINANCE COSTS</b>		
Interest expenses	2,84,204.58	2,61,899.78
Other borrowing costs	2,630.15	2,400.03
<b>Total</b>	<b>2,86,834.73</b>	<b>2,64,299.81</b>

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 24 DEPRECIATION AND AMORTIZATION EXPENSE</b>		
Depreciation on tangible assets	4,131.51	4,269.01
Amortization of intangible assets	438.27	281.75
<b>Total</b>	<b>4,569.78</b>	<b>4,550.76</b>

Consequent to the enactment of the Act, the Company had in the year ended, March 31, 2015 recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II to the Act or as assessed by the management (Refer Accounting Policies, Note no.4 (b)). This had resulted in additional charge of depreciation of Rs.1,536.05 lacs for the year ended March 31, 2015. Further, as per the transitional provision, carrying value of assets of Rs. 341.76 lacs (net of Deferred tax of Rs. 175.98 lacs) was adjusted in the opening balance of retained earnings in respect of assets where the remaining useful life was NIL as at April 01, 2014.

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 25 LOAN PROVISIONS AND WRITE OFFS</b>		
Bad debts and write offs (refer note no. 33(c))	51,978.52	48,804.81
Provision for Non performing assets (Net) (refer note no. 33(a), 34 and 35)	56,064.16	34,744.75
General provision for standard assets (refer note no. 33(b) and 35)	1,775.75	1,330.83
Higher provision on restructured standard advances (refer note no. 33(d))	-	22.31
Provision for diminution in the fair value of restructured advances (refer note no. 33(d))	0.64	9.56
<b>Total</b>	<b>1,09,819.07</b>	<b>84,912.26</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	Year ended March 31	
	2016	2015
<b>NOTE 26 OTHER EXPENSES</b>		
Electricity charges	1,953.43	1,676.72
Rent	6,902.19	5,799.81
Repairs to -		
- Buildings	567.39	382.45
- Others	337.23	217.77
Insurance	1,842.01	1,442.69
Rates and taxes, excluding taxes on income	560.22	367.08
Directors' sitting fees and commission	337.59	216.83
Commission and brokerage	17,251.03	16,271.72
Legal and professional charges	8,919.65	6,670.64
Loss on sale/retirement of owned assets (net)	6.76	5.48
Payments to auditors -		
Audit fees	76.28	66.46
Taxation matters	10.45	7.00
Other services	48.83	25.97
Reimbursement of expenses	1.30	0.79
Corporate Social Responsibility donations and expenses (refer note no. 45)	3,135.74	2,645.80
General and administrative expenses	23,756.87	19,833.47
<b>Total</b>	<b>65,706.97</b>	<b>55,630.68</b>

**NOTE 27** Above expenses include following expenditure incurred in foreign currency

Rs. in Lacs

	Year ended March 31	
	2016	2015
Travelling expenses	33.02	19.86
Legal and professional fees	201.97	126.68
Other expenses	37.96	55.97

**NOTE 28** The Company has the following investments in Joint Venture for which the required treatment as per Accounting Standard AS 27 - 'Financial Reporting of Interests in Joint Ventures', has been given in the Consolidated Financial Statements.

Name of Joint Venture	Country of Incorporation	Percentage of ownership interest
Mahindra Finance USA, LLC	United States of America	49.00%

**NOTE 29** The subsidiary company, MIBL, earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. MIBL does not expect any significant variation in the book balances.

**NOTE 30** MIBL has submitted the application on April 04, 2016 for renewal of its Composite Broking License which is due for renewal on May 17, 2016.



# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 31 EMPLOYEE STOCK OPTION PLAN

- a) The Company had allotted 134,32,750 equity shares (face value of Rs.2/- each) under Employee Stock Option Scheme 2005 at a premium of Rs.8.20 per share on December 06, 2005 and 48,45,025 Equity shares (face value of Rs.2/- each) under Employee Stock Option Scheme 2010 at par on February 03, 2011, to Mahindra and Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company. The Trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the Compensation Committee. The Trust had issued 1,41,14,193 equity shares to employees up to March 31, 2016 (March 31, 2015 : 1,36,53,486 equity shares), of which 4,60,707 equity shares (March 31, 2015 : 6,15,552 equity shares) were issued during the current year. All the equity shares issued to employees during the current year are out of Employee Stock Option Scheme 2010.

The details of Employees stock option schemes are as under:

	Scheme 2005	Scheme 2010
Type of arrangement	Employees share based payment plan administered through ESOS Trust	Employees share based payment plan administered through ESOS Trust
Contractual life	6 years from the date of grant	3 years from the date of vesting
Method of settlement	By issue of shares at exercise price	By issue of shares at exercise price
Vesting conditions	35% on expiry of 12 months from the date of grant	20% on expiry of 12 months from the date of grant
	25% on expiry of 24 months from the date of grant	20% on expiry of 24 months from the date of grant
	20% on expiry of 36 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	20% on expiry of 48 months from the date of grant
	10% on expiry of 60 months from the date of grant	20% on expiry of 60 months from the date of grant

- b) The details of modification to Employee stock option scheme (extension of exercise period):

The Nomination and Remuneration Committee of the Board of Directors of Mahindra & Mahindra Financial Services Limited at its Meeting held on 23rd April, 2015, has approved the extension of the exercise period to 36 months from the date of vesting as against the current period of 6 months in respect of the stock options granted under the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme 2010.

The details of increase/(decrease) in fair value as a result of extension of the exercise period are as follows:

Sr. No.	Scheme Name	Grant date	Fair value per option on the date of grant (Rs.)	Pre modification fair value per option (Rs.)	Post modification fair value per option (Rs.)	Increase/(decrease) in fair value per option (Rs.)
1	ESOS 2010	25-Jan-2012	117.31	276.65	273.82	(2.83)
2	ESOS 2010	22-Jul-2013	198.64	272.99	268.41	(4.58)
3	ESOS 2010	21-Oct-2013	259.46	272.25	267.57	(4.68)
4	ESOS 2010	21-Oct-2014	267.23	268.69	264.07	(4.62)

As per the requirements of paragraph 24 of the Guidance Note on Accounting for Employee Share-based payments issued by the Institute of Chartered Accountants of India (ICAI), the Company has not taken in to account above decrease in fair value measured immediately before and after modification of the terms and conditions and hence continued to measure the amount recognised for services received as consideration for the stock options based on the grant date fair value of the stock options granted.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

- c) During the year, the Company has granted 57,920 stock options to the eligible employees under the Employees' Stock Option Scheme 2010. The details are as under:

	Grant dated October 21, 2015
No. of options granted	57920
Intrinsic value of shares based on latest available closing market price (Rs.)	240.15
Total amount to be amortized over the vesting period (Rs. in Lacs)	139.10
Charge to Statement of profit and loss for the year (Rs. in Lacs)	31.76
Compensation in respect of lapsed cases (Rs. in Lacs)	-
Unamortized amount carried forward (Rs. in Lacs)	107.34

The fair value of options, based on the valuation of the independent valuer as on the date of grant are:

Vesting date	Grant dated October 21, 2015	
	Expected Vesting	Fair Value (Rs.) per share
October 21, 2016	11584	
October 21, 2017	11584	
October 21, 2018	11584	223.42
October 21, 2019	11584	
October 21, 2020	11584	
	<b>57920</b>	

The key assumptions used in black-scholes model for calculating fair value as on the date of grant are:

Variables #	Grant dated October 21, 2015
1) Risk free interest rate	7.53%
2) Expected life	4.50 years
3) Expected volatility	37.37%
4) Dividend yield	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	242.15

# the values mentioned against each of the variables are based on the weighted average percentage of vesting.

## d) Summary of stock options

Summary of Stock Options	As at/Year ended March 31			
	2016		2015	
	No. of stock options	Weighted average exercise price (Rs.)	No. of stock options	Weighted average exercise price (Rs.)
Options outstanding at the beginning of the year	21,22,955	2.00	11,63,249	12.70
Options granted during the year	57,920	2.00	16,01,507	2.00
Options forfeited/lapsed during the year #	5,995	2.00	26,249	11.07
Options exercised during the year	4,60,707	2.00	6,15,552	21.84
Options outstanding at the end of the year	17,14,173	2.00	21,22,955	2.00
Options vested but not exercised at the end of the year	2,87,526	2.00	1,24,345	2.00

# including nil (March 31, 2015: 13,225) options forfeited/lapsed out of the options granted during the year.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## e) Information in respect of options outstanding:

Grant date/Exercise price	As at March 31			
	2016		2015	
	No. of stock options	Weighted average remaining life <sup>\$</sup>	No. of stock options	Weighted average remaining life
<b>Scheme 2010:</b>				
February 07, 2011 at Rs.2.00	1,44,188	34 months	3,55,735	13 months
January 25, 2012 at Rs.2.00	62,830	41 months	95,790	19 months
July 22, 2013 at Rs.2.00	28,878	52 months	38,504	28 months
October 21, 2013 at Rs.2.00	41,365	51 months	44,644	31 months
October 21, 2014 at Rs.2.00 #	13,78,992	59 months	15,88,282	37 months
October 21, 2015 at Rs.2.00	57,920	68 months	-	-
<b>Total</b>	<b>17,14,173</b>		<b>21,22,955</b>	

\$ the increase in weighted average remaining life as at March 31, 2016 as compared to March 31, 2015 is on account of modification to Employee Stock Option Scheme 2010 representing extension of exercise period to 36 months from the date of vesting as against the erstwhile exercise period of 6 months from the date of vesting (refer note no. 31 (b)).

# net of nil (March 2015: 13,225) options forfeited/lapsed out of the options granted during the year.

## f) 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.)
April 23, 2015	280.33
May 22, 2015	268.97
June 29, 2015	270.34
July 27, 2015	264.08
August 21, 2015	264.41
September 24, 2015	229.04
October 28, 2015	227.17
November 24, 2015	238.94
December 21, 2015	243.26
January 22, 2016	201.98
February 22, 2016	217.58
March 22, 2016	240.11

## g) Method used for accounting for share based payment plan

The Company has elected to use intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Employee stock compensation cost is amortized over the vesting period.

## h) Fair value of options

The fair value of options used to compute proforma net profit and earnings per share in note no. 28 have been estimated on the date of grant using the black-scholes model. The key assumptions used in black-scholes model for calculating fair value as on the date of grant are:

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## Grants covered under Scheme 2005:

Variables #	7-Dec-2005	24-Jul-2007	25-Mar-2008	18-Sep-2008
1) Risk free interest rate	5.8% to 6.6%	8.17%	7.31%	8.20%
2) Expected life	2.5 - 5 years	4.17 years	4.17 years	4.18 years
3) Expected volatility	0.50%	43.69%	43.61%	43.66%
4) Dividend yield	5%	1.59%	1.59%	1.64%
5) Price of the underlying share in the market at the time of option grant (Rs.)	13.11*	46.00	63.62	50.35

# the values mentioned against each of the variables are based on the weighted average percentage of vesting.

\* being fair value taken from an independent valuer as the Company was unlisted as on the date of grant of option.

## Grants covered under Scheme 2010:

Variables #	7-Feb-2011	25-Jan-2012	22-Jul-2013	21-Oct-2013	21-Oct-2014	21-Oct-2015
1) Risk free interest rate	7.73%	8.11%	7.61%	8.60%	8.50%	7.53%
2) Expected life	4.5 years	5.5 years	3.5 years	3.25 years	3.25 years	4.50 years
3) Expected volatility	42.38%	46.08%	35.53%	39.27%	38.83%	37.37%
4) Dividend yield	2.28%	2.11%	1.70%	1.32%	1.35%	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	138.60	133.14	212.35	272.40	280.80	242.15

# the values mentioned against each of the variables are based on the weighted average percentage of vesting.

## NOTE 32 EARNINGS PER SHARE

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 *	
	As at March 31			
	2016	2015	2016	2015
Net profit after tax (Rs. in Lacs)	77,229.36	91,290.54	77,306.49	91,358.91
Weighted average number of equity shares of Rs.2/- each – Basic	564278639	563837362	564278639	563837362
Weighted Average number of equity shares of Rs.2/- each – Diluted	568764960	568764960	568764960	568764960
Basic Earnings Per Share (Rs.)	13.69	16.19	13.70	16.20
Diluted Earnings Per Share # (Rs.)	13.58	16.05	13.59	16.06

# Dilution in Earnings per share is on account of 41,63,582 equity shares (March 2015 : 46,24,289 equity shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

\* Earnings Per Share under Fair value method is computed on proforma net profit after tax after adjusting for employee compensation costs under fair value method. Employee compensation cost under fair value method as compared to intrinsic value method is lower by Rs. 77.13 Lacs (March 2015 : Rs. 68.37 Lacs).

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 33 LOAN PROVISIONS AND WRITE OFFS

- a. The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by The Reserve Bank of India. As per the practice consistently followed, the Company has also made additional provision on a prudential basis.

The RBI vide its notification no DNBR. 011/CGM (CDS)-2015 dt. March 27, 2015 has revised the asset classification norms for NPAs and substandard assets under its prudential norms applicable to NBFCs in a phased manner commencing from financial year ending 31st March, 2016, upto the financial year ending 31st March, 2018 which would result in an additional provision. The Company follows prudential norms for income recognition, asset classification and provisioning for NPAs as prescribed by RBI for NBFCs and has also been making additional provision on a prudential basis.

As on 31st March, 2016, the Company has recognised NPAs based on 4 months' norms as against the revised regulatory norms of recognising NPAs at 5 months applicable for the current financial year resulting in an additional provision of Rs. 3,454.79 Lacs and income de-recognition of Rs. 2,095.16 Lacs with a consequent impact of Rs. 5,549.96 Lacs on Profit before tax for the year ended 31st March, 2016.

The cumulative additional provision made by the Company as on March 31, 2016 is Rs. 73,567.48 Lacs (March 31, 2015 : Rs. 53,319.01 Lacs).

- b. In accordance with the Notification No. DNBS.222/CGM (US)-2011 dated 17.01.2011 issued by The Reserve Bank of India (RBI) vide its directions to all NBFC's to make a general provision of 0.25% on the Standard assets, the Company has made a provision of Rs. 1,353.00 Lacs (March 2015 : Rs. 1,057.00 Lacs).

The total amount of provision on Standard assets of Rs.14,035.00 Lacs (March 2015 : Rs.12,682.00 Lacs) is shown separately as "Contingent provision for Standard assets" under Long-term and Short-term provisions in the balance sheet (refer note no. 5 and 9). The said amount includes additional/accelerated provision of 0.15% for Rs. 5,262.00 Lacs as at 31st March, 2016 (March 2015 : Rs. 4,757.00 Lacs).

- c. 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.
- d. In accordance with the Prudential norms for restructured advances, the Company has made provisions of Rs. 32.51 Lacs (March 31, 2015 : Rs. 31.87 Lacs) as Higher provisions and Provisions for diminution in fair value on account of restructured advance which are shown separately under Long-term and Short-term provisions in the Balance sheet (refer note no.5 and 9).

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

**NOTE 34** MRHFL has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognizing Non-performing assets in preparation of accounts.

Classification of loans are given below:

	Rs in Lacs			
	Standard assets	Sub standard assets	Bad and doubtful assets	Total
<b>As at March 31, 2016</b>				
Housing loans	3,02,346.98	14,346.37	9,337.78	3,26,031.13
Other loans & advances – secured	419.04	1.82	-	420.86
Other loans & advances	820.62	-	-	820.62
Percentage to total loans	92.77%	4.38%	2.85%	100.00%
<b>As at March 31, 2015</b>				
Housing loans	1,97,566.35	8,274.60	3,990.68	2,09,831.63
Other loans	313.50	-	-	313.50
Percentage to total loans	94.16%	3.94%	1.90%	100.00%

**NOTE 35** MRHFL has made adequate provision on Non Performing Assets as prescribed under Housing Finance Companies (NHB) Directions, 2010. The company also makes additional provision on prudential basis. The cumulative additional provision made by the company as on 31st March, 2016 is Rs. 612.67 Lacs (March 2015: Rs. 224.03 Lacs).

In line with notification no.NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank, MRHFL has made a provision @ 0.40 % on outstanding Standard Assets.

	Rs in Lacs			
Provisions made	Standard	Sub Standard	Doubtful	Loss
<b>As at March 31, 2016</b>				
Housing loans - secured	1,209.42	2,554.84	3,212.15	131.76
Other loans & advances – secured	1.68	0.27	-	-
Other loans & advances	3.30	-	-	-
<b>As at March 31, 2015</b>				
Housing loans	790.30	1,297.07	1,408.97	80.34
Other loans	1.35	-	-	-

**NOTE 36** As per section 29C (i) of the National Housing Bank Act, 1987, MRHFL is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose a Special Reserve created by the Company under Section 36(1)(viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The company has transferred an amount to Special Reserve in terms of 36(1)(viii) of the Income Tax Act, 1961 and section 29C of the National Housing Bank Act, 1987, as amended, at year end. The company does not anticipate any withdrawal from Special Reserve in foreseeable future.

**NOTE 37** Commission and brokerage mainly represents amount incurred in respect of acquisition of customers and mobilisation of public deposits.

**NOTE 38** In the opinion of the Board, Current assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of business.

**NOTE 39** Deposits/Advances received against loan agreements are on account of loan against assets, which are repayable/adjusted over the period of the contract.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 40 EMPLOYEE BENEFITS

Defined benefit plans – as per actuarial valuation:

### Leave Benefits (Non-funded)

Defined Benefit Plans -As per actuarial valuation on March 31, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
<b>I. Expense recognised in the Statement of Profit and Loss for the year ended March 31</b>		
Current service cost	1,575.12	1,400.91
Interest cost	129.81	104.14
Expected return on plan assets	-	-
Actuarial (Gains)/Losses	(1,200.10)	(969.32)
<b>Total expense</b>	<b>504.83</b>	<b>535.73</b>
<b>II. Net asset/(liability) recognised in the Balance Sheet as at March 31</b>		
Present Value of Defined Benefit obligation as at March 31	1,726.97	1,468.11
Fair value of plan assets as at March 31	-	-
Funded status (Surplus/(Deficit))	(1,726.97)	(1,468.11)
<b>Net asset/(liability) as at March 31</b>	<b>(1,726.97)</b>	<b>(1,468.11)</b>
<b>III. Change in the obligations during the year ended March 31</b>		
Present Value of Defined Benefit obligation at the beginning of the year	1,468.11	1,137.71
Current service cost	1,572.20	1,291.84
Interest cost	129.81	213.20
Actuarial (Gains)/Losses	(1,200.10)	(969.33)
Benefits paid	(243.05)	(205.31)
Present Value of Defined Benefit obligation at the end of the period	<b>1,726.97</b>	<b>1,468.11</b>
<b>IV. Actuarial Assumptions</b>		
Discount Rate (p.a.)	8%	8%
Rate of Salary increase (p.a.)	5%	5%
In-service Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

Gratuity (funded): Defined Benefit Plans-As per actuarial valuation on March 31, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
<b>I. Expense recognised in the Statement of Profit and Loss Account for the year ended March 31</b>		
Current service cost	1,238.45	1,002.05
Interest cost	158.72	120.89
Expected return on plan assets	(170.63)	(136.90)
Actuarial (Gains)/Losses	(651.82)	(421.23)
Funded amount to be transferred to Gratuity Fund	-	(70.18)
Adjustment due to change in opening balance of plan assets	-	(97.67)
<b>Total expense</b>	<b>574.72</b>	<b>396.96</b>
<b>II. Net asset/(liability) recognised in the Balance Sheet as at March 31</b>		
Present Value of Defined Benefit obligation as at March 31	2,269.42	1,771.78
Fair value of plan assets as at March 31	2,249.59	1,811.28
Funded status (Surplus/(Deficit))	(19.83)	39.50
<b>Net asset/(liability) as at March 31</b>	<b>(19.83)</b>	<b>39.50</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
<b>III. Change in the obligations during the year ended 31st March</b>		
Present Value of Defined Benefit obligation at the beginning of the year	1,771.78	1,336.79
Transfer of Projected benefit obligation from MBCSPL	-	0.30
Current service cost	1,238.45	1,002.05
Interest cost	158.72	120.89
Actuarial (Gains)/Losses	(799.14)	(553.74)
Benefits paid	(100.39)	(134.51)
<b>Present Value of Defined Benefit obligation at the end of the period</b>	<b>2,269.42</b>	<b>1,771.78</b>
<b>IV. Change in the fair value of plan assets during the year ended March 31</b>		
Fair value of plan assets at the beginning of the year	1,811.28	1,256.92
Expected return on plan assets	170.76	136.73
Contributions by employer	515.62	517.04
Actuarial (Gains)/Losses	(147.68)	(133.91)
Funded amount to be transferred to Gratuity Fund	-	70.18
Adjustment due to change in opening balance of Plan assets	-	98.83
Actual Benefits paid	(100.39)	(134.51)
<b>Fair value of plan assets at the end of the year</b>	<b>2,249.59</b>	<b>1,811.28</b>
<b>V. Major category of plan assets as a percentage of total plan</b>		
Funded with LIC	100%	100%
<b>VI. Actuarial Assumptions</b>		
Discount Rate (p.a.)	8%	8%
Expected rate of return on plan assets (p.a.)	8%	8%
Rate of Salary increase (p.a.)	5%	5%
In-service Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	

## Experience Adjustments (Gratuity)

Rs. in Lacs

	Year ending				
	31/03/2012	31/03/2013	31/03/2014	31/03/2015	31/03/2016
Defined Benefit obligation at the end of the year	764.35	1,046.46	1,371.09	1,771.78	2,267.66
Plan assets at the end of the year	564.89	967.88	1,320.08	1,811.28	2,243.09
Funded status Surplus/(Deficit)	(199.46)	(78.58)	(51.01)	39.50	(24.57)
Experience adjustments on plan liabilities (gain)/loss	(112.32)	(111.33)	(65.61)	(190.55)	(266.97)
Experience adjustments on plan assets gain/(loss)	(10.77)	(18.89)	(25.00)	(34.22)	(41.95)



# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 41 DISCLOSURE ON DERIVATIVES

### Outstanding derivative instruments and un-hedged foreign currency exposures as on 31st March, 2016

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of US \$ 1,209.88 Lacs (March 31, 2015 : US \$ 872.71 Lacs). The said loan has been fixed to INR liability using a cross currency swap and floating interest thereon in LIBOR plus rate has been swapped for fixed rate in Indian rupee. There is no un-hedged foreign currency exposure as on March 31, 2016.

## NOTE 42 SECURITISATION/ASSIGNMENT TRANSACTIONS

- a) During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 30940 contracts (March 31, 2015 : 27907 contracts) amounting to Rs. 85,586.85 Lacs (March 31, 2015: Rs. 72,229.92 Lacs) for a consideration of Rs 85,586.85 Lacs (March 31, 2015: Rs. 72,229.92 Lacs) and de-recognised the assets from the books.
- b) Income from assignment/securitization transactions include write back of provision for loss/expenses in respect of matured assignment transactions amounting to Rs 6,756.56 Lacs (March 31, 2015 :

Rs. 8,807.91 Lacs) considered no longer necessary (refer Accounting policy 4 (vii) A (iii)).

- c) In terms of the accounting policy stated in 4 (vi) (B) (i) (c), securitisation income is recognized as per RBI Guidelines dated 21st August, 2012. Accordingly, interest only strip representing present value of interest spread receivable has been recognized and reflected under loans and advances (refer note no. 13 and 18) and equivalent amount of unrealised gains has been recognised as liabilities (refer note no. 4 and 8).
- d) Excess interest spread redeemed during the year by the Special Purpose Vehicle Trust (SPV Trust) has been recognised as income and included in income from assignment/securitisation transactions amounting to Rs. 12,062.65 Lacs (March 31, 2015: Rs. 11,024.71 Lacs).
- e) Disclosures in the notes to the accounts in respect of securitisation transactions as required under revised guidelines on securitization transactions issued by RBI vide circular no.DNBS.PD.No.301/3.10.01/2013-13 dated August 21, 2012.

Applicable for transactions effected after the date of circular:

Sr. No.	Particulars	Rs. in Lacs	
		As at March 31	
		2016	2015
1	No of SPVs sponsored by the NBFC for securitisation transactions	16	12
2	Total amount of securitised assets as per books of the SPVs sponsored	1,36,825.69	1,54,321.26
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss- Credit enhancement in form of corporate undertaking	17,196.42	8,307.81
	Others	-	-
	b) On-balance sheet exposures		
	First loss- Cash collateral term deposits with banks	20,038.00	20,085.00
	Others- Retained interest in pass through certificates	472.12	1,242.81

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

Sr. No. Particulars	As at March 31	
	2016	2015
4 Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposure to own securitizations		
First loss	-	-
Loss	-	-
(ii) Exposure to third party securitisations		
First loss	-	-
Others -		
Excess Interest Spread	27,856.85	27,176.87
b) On-balance sheet exposures		
(i) Exposure to own securitisations		
First loss	-	-
Others-		
Cash collateral term deposits with banks	1,856.00	2,000.00
(ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

**NOTE 43** There were 180 cases (March 2015: 119 cases) of frauds amounting to Rs. 627.20 Lacs (March 31, 2015 : Rs. 353.81 Lacs) reported during the year. The Company has recovered an amount of Rs. 117.89 Lacs (March 31, 2015 : Rs 107.39 Lacs) and has initiated appropriate legal action against the individuals involved. The claims for the un-recovered losses have been lodged with the insurance companies.

**NOTE 44** The gold loans outstanding as a percentage of total assets is at 0.02% (March 2015: 0.03%).

**NOTE 45** During the year, the Company has incurred expenditure of Rs. 3,021.48 Lacs (March 31, 2015 : Rs. 2,532.24 Lacs) towards Corporate Social Responsibility activities which includes contribution/donations made to the trusts which are engaged in activities prescribed under section 135 of the Companies Act, 2013 read with Schedule VII to the said Act and expense of Rs. 114.26 lacs (March 2015: Rs.113.56 Lacs) towards the CSR activities undertaken by the Company (refer note no. 26).

## **NOTE 46 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18:**

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

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

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## B) Related party transactions are as under:

		Rs. in Lacs		
Sr. No.	Nature of transactions	Holding Company	Fellow subsidiary Companies	* Key Management Personnel
<b>1</b>	<b>Income</b>			
	Loan income	-	64.15	-
		-	(3.52)	-
	Subvention/Disposal loss income	4,049.60	-	-
		(3,663.07)	-	-
	Other income	-	3.47	-
		(64.21)	-	-
<b>2</b>	<b>Expenses</b>			
	Interest	126.12	-	20.12
		-	-	(20.11)
	Other Expenses	1,832.96	620.81	-
		(1,503.21)	(432.33)	-
	Remuneration to MD	-	-	436.13
		-	-	(645.48)
<b>3</b>	<b>Investment in share capital</b>	-	-	-
		-	-	-
<b>4</b>	<b>Purchase of Fixed Assets</b>	327.50	37.73	-
		(413.60)	-	-
<b>5</b>	<b>Sale of Fixed Assets</b>	-	-	-
		-	-	-
<b>6</b>	<b>Finance</b>			
	Fixed deposits taken	-	-	18.94
		-	-	(202.90)
	Fixed deposits repaid	-	-	21.67
		-	-	(188.25)
	Dividend paid – for previous year	11,648.31	-	23.85
		(11,065.89)	-	(23.71)
	Inter corporate deposits taken	30,000.00	-	-
		-	-	-
	Inter corporate deposits repaid	-	-	-
		-	-	-
	Inter corporate deposits given	-	-	-
		-	-	-
	Inter corporate deposits refunded	-	-	-
		-	-	-
<b>7</b>	<b>Other transactions</b>			
	Reimbursement from parties	-	-	-
		-	-	-
	Reimbursement to parties	-	153.08	-
		-	(119.72)	-
<b>8</b>	<b>Balances as at the end of the period</b>			
	Receivables	315.06	127.42	-
		(1,234.25)	-	-
	Loan given and outstanding (including interest accrued but not due)	-	1,870.04	-
		-	(43.29)	-
	Inter corporate deposits given (including interest accrued but not due)	-	-	-
		-	-	-

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Sr. No.	Nature of transactions	Rs. in Lacs		
		Holding Company	Fellow subsidiary Companies	* Key Management Personnel
	Payables	-	220.33	-
		-	(157.98)	-
	Subordinate debt held (including interest accrued but not due)	-	-	-
		-	-	-
	Inter corporate deposits taken (including interest accrued but not due)	30,113.51	-	-
		-	-	-
	Fixed deposits (including interest accrued but not due)	-	-	226.54
		-	-	(231.80)

**Notes:**

i) Figures in bracket represent corresponding figures of previous year.

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

**C) The significant related party transactions are as under:**

		Rs. in Lacs		
Nature of transactions		Holding Company	Fellow subsidiary Companies	* Key Management Personnel
<b>Income</b>				
<b>Revenue from operations</b>				
Subvention/Disposal loss income	Mahindra & Mahindra Limited	4,049.60	-	-
		(3,663.07)	-	-
Loan income	2 x 2 Logistics Pvt. Ltd.	-	62.08	-
		-	-	-
Loan income	Mahindra Retail Pvt. Ltd.	-	-	-
		-	(3.28)	-
<b>Expenses</b>				
<b>Interest</b>				
Interest expense on inter corporate deposits and non-convertible debentures	Mahindra & Mahindra Limited	126.12	-	-
		-	-	-
<b>Other expenses</b>				
Rent	Mahindra & Mahindra Limited	1,267.00	-	-
		(951.24)	-	-
Commission & Valuation charges	Mahindra First Choice Wheels Limited	-	526.94	-
		-	(417.19)	-
Purchase of fixed assets	Mahindra & Mahindra Limited	254.81	-	-
		(413.60)	-	-
Purchase of fixed assets	NBS International	-	30.97	-
		-	-	-

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

<b>Finance</b>				
Fixed Deposits	Ramesh Iyer and relatives	-	-	18.94
		-	-	(202.90)
Fixed deposits matured	Ramesh Iyer and relatives	-	-	21.67
		-	-	(188.25)
Dividend paid - for previous year	Mahindra & Mahindra Limited	11,648.31	-	-
		(11,065.89)	-	-
Inter corporate deposits taken	Mahindra & Mahindra Limited	30,000.00	-	-
		-	-	-
<b>Balances at the year end</b>				
Receivables	Mahindra & Mahindra Limited	315.06	-	-
		(1,234.25)	-	-
Receivables	NBS International	-	127.42	-
		-	-	-
Payables	Mahindra First Choice Wheels Limited	-	155.44	-
		-	(114.87)	-
Inter corporate deposits taken (including interest accrued but not due)	Mahindra & Mahindra Limited	30,113.51	-	-
		-	-	-
Loan outstanding	2 x 2 Logistics Pvt. Ltd.	-	1,865.14	-
		-	-	-
Loan outstanding	Mahindra Retail Pvt. Ltd.	-	-	-
		-	(30.08)	-
Fixed deposits (including interest accrued but not due)	Ramesh Iyer and relatives	-	-	226.54
		-	-	(231.80)

Figures in bracket represent corresponding figures of previous year.

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

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

Particulars	Relation	Balance as on April 1, 2015	Advances	Repayments	Rs. in Lacs
					Balance as on March 31, 2016
<b>Loans and advances</b>					
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	30.08	-	25.18	4.90
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	13.21	1,952.93	101.00	1,865.14
		<b>43.29</b>	<b>1,952.93</b>	<b>126.18</b>	<b>1870.04</b>

### Notes:

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

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

As at March 31, 2015

		Rs. in Lacs			
Particulars	Relation	Balance as on April 1, 2014	Advances/ investments	Repayments/ sale	Balance as on March 31, 2015
<b>Loans and advances</b>					
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	36.11	-	6.03	30.08
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	-	13.58	0.37	13.21
<b>Total</b>		<b>36.11</b>	<b>13.58</b>	<b>6.40</b>	<b>43.29</b>

Notes:

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

Rs. in Lacs

		Year ended March 31	
		2016	2015
<b>NOTE 47 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)</b>			
<b>Contingent liabilities</b>			
a)	Demand against the Company not acknowledged as debts -		
i)	Income tax	3,873.42	4,416.81
ii)	Value Added Tax (VAT)	191.98	191.98
iii)	Service tax	5,283.34	-
b)	Corporate guarantees towards assignment transactions	15,331.13	31,338.63
c)	Credit enhancement in terms of corporate guarantee for securitization transactions [refer note no. 42 (e)]	17,196.42	8,307.81
d)	Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	3,384.32	3,126.01
		<b>45,260.61</b>	<b>47,381.24</b>
<b>Commitments</b>			
a)	Estimated amount of contracts remaining to be executed on capital account	303.83	606.62
		<b>303.83</b>	<b>606.62</b>
<b>Total</b>		<b>45,564.44</b>	<b>47,987.86</b>

Rs. in Lacs

Particulars	As at April 1, 2015	Additional Provisions	Utilizations/ Reversals	As at March 31, 2016
<b>NOTE 48 CHANGES IN PROVISIONS</b>				
Provision for Standard assets	13,473.65	1,775.75	-	15,249.40
Provision for Non-performing assets	99,955.09	95,385.82	39,285.84	1,56,055.07

**NOTE 49** Disclosure of trade payables to Micro, Small and Medium Enterprises under Current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount outstanding as on March 31, 2016 to Micro, Small and Medium Enterprises on account of principle amount aggregate to Rs. Nil (March 31, 2015: Rs. Nil) [including overdue amount of Rs. Nil (March 31, 2015: Rs. Nil)] and interest due thereon is Rs. Nil (March 31, 2015: Rs. Nil) and interest paid during the year Rs. Nil (March 31, 2015: Rs. Nil).

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 50 SECURED LONG-TERM BORROWINGS

### i) Secured non-convertible debentures

Rs. in Lacs

Particulars	As at March 31, 2016			Total
	Rate range	(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturity beyond 5 years	8.70%-9.00%	1,89,200.00	-	1,89,200.00
Maturity between 3 years to 5 years	8.48%-9.45%	2,01,950.00	-	2,01,950.00
Maturity between 1 year to 3 years	8.48%-10.25%	3,39,240.00	-	3,39,240.00
Maturity within 1 year	8.57%-10.20%	-	2,34,470.00	2,34,470.00
<b>Total</b>		<b>7,30,390.00</b>	<b>2,34,470.00</b>	<b>9,64,860.00</b>

Rs. in Lacs

Particulars	As at March 31, 2015			Total
	Rate range	(a) Non-current	(b) Current Maturities	
<b>Repayable on maturity:</b>				
Maturity beyond 5 years	8.70%-8.95%	53,000.00	-	53,000.00
Maturity between 3 years to 5 years	8.65%-10.25%	1,22,760.00	-	1,22,760.00
Maturity between 1 year to 3 years	8.65%-10.20%	1,81,280.00	-	1,81,280.00
Maturity within 1 year	8.60%-9.95%	-	1,52,270.00	1,52,270.00
<b>Total</b>		<b>3,57,040.00</b>	<b>1,52,270.00</b>	<b>5,09,310.00</b>

### ii) Secured term loans from banks

Rs. in Lacs

Particulars	As at March 31, 2016			Total
	Rate range	(a) Non-current	(b) Current Maturities	
<b>1) Repayable on maturity:</b>				
a) Maturing beyond 5 years	-	-	-	-
b) Maturing between 3 years to 5 years	9.65%-9.75%	25,000.00	-	25,000.00
c) Maturing between 1 year to 3 years	9.65%-9.75%	90,000.00	-	90,000.00
d) Maturing within 1 year	9.50%-9.95%	-	1,27,500.00	1,27,500.00
<b>Total for repayable on maturity</b>		<b>1,15,000.00</b>	<b>1,27,500.00</b>	<b>2,42,500.00</b>
<b>2) Repayable in installments:</b>				
i) Quarterly -				
a) Maturing beyond 5 years	-	-	-	-
b) Maturing between 3 years to 5 years	9.30%	19,781.75	-	19,781.75
c) Maturing between 1 year to 3 years	9.30%-9.65%	1,07,512.54	-	1,07,512.54
d) Maturing within 1 year	9.30%-9.71%	-	67,819.42	67,819.42
<b>Total</b>		<b>1,27,294.29</b>	<b>67,819.42</b>	<b>1,95,113.71</b>
ii) Half yearly -				
a) Maturing between 3 years to 5 years	9.45%-9.70%	53,333.33	-	53,333.33
b) Maturing between 1 year to 3 years	9.65%-9.75%	1,16,000.00	-	1,16,000.00
c) Maturing within 1 year	9.65%-9.75%	-	1,11,733.33	1,11,733.33
<b>Total</b>		<b>1,69,333.33</b>	<b>1,11,733.33</b>	<b>2,81,066.66</b>
iii) Yearly -				
a) Maturing beyond 5 years	-	-	-	-
b) Maturing between 3 years to 5 years	9.34%-9.70%	1,20,933.33	-	1,20,933.33
c) Maturing between 1 year to 3 years	9.34%-9.70%	1,81,933.33	-	1,81,933.33
d) Maturing within 1 year	9.50%-9.70%	-	50,333.34	50,333.34
<b>Total</b>		<b>3,02,866.66</b>	<b>50,333.34</b>	<b>3,53,200.00</b>
<b>Total for repayable in installments</b>		<b>5,99,494.28</b>	<b>2,29,886.09</b>	<b>8,29,380.37</b>
<b>Total (1+2)</b>		<b>7,14,494.28</b>	<b>3,57,386.09</b>	<b>10,71,880.37</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

As at March 31, 2015

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
<b>1) Repayable on maturity:</b>				
Maturity beyond 3 years	10.25%	30,000.00	-	30,000.00
Maturity between 1 year to 3 years	9.70%-10.30%	2,37,500.00	-	2,37,500.00
Maturity within 1 year	9.45%-10.40%	-	1,27,000.00	1,27,000.00
<b>Total</b>		<b>2,67,500.00</b>	<b>1,27,000.00</b>	<b>3,94,500.00</b>
<b>2) Repayable in installments:</b>				
i) Bimonthly-				
Maturity within 1 year	10.25%	-	6,200.00	6,200.00
<b>Total</b>		<b>-</b>	<b>6,200.00</b>	<b>6,200.00</b>
ii) Quarterly-				
Maturity beyond 3 years	10.00%	3,095.24	-	3,095.24
Maturity between 1 year to 3 years	9.95%-10.80%	1,00,768.46	-	1,00,768.46
Maturity within 1 year	9.95%-10.80%	-	36,054.34	36,054.34
<b>Total</b>		<b>1,03,863.70</b>	<b>36,054.34</b>	<b>1,39,918.04</b>
iii) Half-yearly-				
Maturity beyond 3 years	10.25%	21,666.67	-	21,666.67
Maturity between 1 year to 3 years	10.00%-10.25%	2,26,066.67	-	2,26,066.67
Maturity within 1 year	10.00%-10.25%	-	1,67,200.00	1,67,200.00
<b>Total</b>		<b>2,47,733.33</b>	<b>1,67,200.00</b>	<b>4,14,933.33</b>
iv) Yearly-				
Maturity beyond 3 years	10.20%-10.25%	55,333.33	-	55,333.33
Maturity between 1 year to 3 years	10.20%-10.25%	1,13,166.67	-	1,13,166.67
Maturity within 1 year	10.25%	-	7,500.00	7,500.00
<b>Total</b>		<b>1,68,500.00</b>	<b>7,500.00</b>	<b>1,76,000.00</b>
<b>Total for repayable in installments</b>		<b>5,20,097.03</b>	<b>2,16,954.34</b>	<b>7,37,051.37</b>
<b>Total (1+2)</b>		<b>7,87,597.03</b>	<b>3,43,954.34</b>	<b>11,31,551.37</b>



# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## iii) Secured term loans from others:

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on installments</b>				
Maturity beyond 5 years	9.30%-9.55%	475.40	-	475.40
Maturity between 3 years to 5 years	8.85%-9.55%	4,847.48	-	4,847.48
Maturity between 1 year to 3 years	8.85%-9.70%	9,863.12	-	9,863.12
Maturity within 1 year	6.00%-10.15%	-	6,109.49	6,109.49
<b>Total for repayable on installments</b>		<b>15,186.00</b>	<b>6,109.49</b>	<b>21,295.49</b>

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on installments:</b>				
Maturity beyond 5 years	9.15%-10.05%	2,305.80	-	2,305.80
Maturity between 3 years to 5 years	9.15%-10.05%	7,786.39	-	7,786.39
Maturity between 1 year to 3 years	6.00%-10.15%	11,590.30	-	11,590.30
Maturity within 1 year	6.00%-10.30%	-	7,039.44	7,039.44
<b>Total for repayable on installments</b>		<b>21,682.49</b>	<b>7,039.44</b>	<b>28,721.93</b>

## iv) Foreign currency loans from banks

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on maturity:</b>				
Maturity between 1 year to 3 years	8.69%-9.97%	53,227.83	-	53,227.83
Maturity within 1 year	9.16%-9.33%	-	26,932.51	26,932.51
<b>Total</b>		<b>53,227.83</b>	<b>26,932.51</b>	<b>80,160.34</b>

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on maturity:</b>				
Maturity between 1 year to 3 years	8.95%	12,500.00	-	12,500.00
Maturity within 1 year	9.05%-9.98%	-	42,044.47	42,044.47
<b>Total</b>		<b>12,500.00</b>	<b>42,044.47</b>	<b>54,544.47</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## v) Foreign currency loans from others

Rs. in Lacs

	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>1) Repayable on maturity:</b>				
Maturity beyond 5 years	1.99%-3.69%	5,657.04	-	5,657.04
Maturity between 3 years to 5 years	1.99%-3.69%	32,704.62	-	32,704.62
Maturity between 1 year to 3 years	1.99%-3.69%	70,199.81	-	70,199.81
Maturity within 1 year	1.99%-3.69%	-	52,566.87	52,566.87
<b>Total</b>		<b>108,561.47</b>	<b>52,566.87</b>	<b>1,61,128.34</b>

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>1) Repayable on maturity:</b>				
Maturity beyond 5 years	1.99%-3.69%	4,045.72	-	4,045.72
Maturity between 3 years to 5 years	1.99%-3.69%	22,282.02	-	22,282.02
Maturity between 1 year to 3 years	1.99%-3.69%	48,773.57	-	48,773.67
Maturity within 1 year	1.99%-3.69%	-	35,853.50	35,853.50
<b>Total</b>		<b>75,101.31</b>	<b>35,853.50</b>	<b>1,10,954.81</b>

## NOTE 51 UNSECURED BORROWINGS

### i) Subordinated debts (long-term)

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on maturity:</b>				
a) Maturing beyond 5 years	8.90%-10.50%	74,830.00	-	74,830.00
b) Maturing between 3 years to 5 years	9.50%-10.02%	41,720.00	-	41,720.00
c) Maturing between 1 year to 3 years	10.50%-12.00%	7,860.00	-	7,860.00
<b>Total</b>		<b>124,410.00</b>	<b>-</b>	<b>124,410.00</b>

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on maturity:</b>				
Maturing beyond 5 years	9.18%-10.50%	78,550.00	-	78,550.00
Maturing between 3 years to 5 years	9.85%-11.75%	15,480.00	-	15,480.00
Maturing between 1 year to 3 years	10.50%-12.00%	6,880.00	-	6,880.00
<b>Total</b>		<b>1,00,910.00</b>	<b>-</b>	<b>1,00,910.00</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## ii) Term loan from banks

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on maturity:</b>				
Maturing within 1 year	10.00%	-	10,000.00	10,000.00
<b>Total</b>		<b>-</b>	<b>10,000.00</b>	<b>10,000.00</b>

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on maturity:</b>				
Maturing between 1 year to 3 years	10.00%	10,000.00	-	10,000.00
<b>Total</b>		<b>10,000.00</b>	<b>-</b>	<b>10,000.00</b>

## iii) Inter corporate deposits

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
<b>Repayable on maturity:</b>				
Maturing within 1 year	8.85%-9.05%	-	30,000.00	30,000.00
<b>Total</b>		<b>-</b>	<b>30,000.00</b>	<b>30,000.00</b>

As at March 31, 2015 : Nil

## iv) Fixed deposits

As at March 31, 2016

Rs. in Lacs

Particulars	Rate range	Long Term			Total
		(a) Short Term	(b) Non-current	(c) Current Maturities	
a) Maturing beyond 3 years	8.20%-10.10%	-	15,832.63	-	15,832.63
b) Maturing between 1 year to 3 years	8.20%-10.60%	-	2,72,018.38	-	2,72,018.38
c) Maturing within 1 year	7.90%-10.60%	16,154.68	-	1,61,030.66	1,77,185.34
<b>Total</b>		<b>16,154.68</b>	<b>2,87,851.01</b>	<b>1,61,030.66</b>	<b>4,65,036.35</b>

As at March 31, 2015

Rs. in Lacs

Particulars	Rate range	Long Term			Total
		(a) Short Term	(b) Non-current	(c) Current Maturities	
a) Maturing beyond 3 years	8.90%-10.10%	-	6,561.15	-	6,561.15
b) Maturing between 1 year to 3 years	9.15%-10.60%	-	3,15,132.68	-	3,15,132.68
c) Maturing within 1 year	8.40%-10.75%	6,943.06	-	1,29,621.50	1,36,564.56
<b>Total</b>		<b>6,943.06</b>	<b>3,21,693.83</b>	<b>1,29,621.50</b>	<b>4,58,258.39</b>

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 52 SHORT - TERM BORROWINGS

### i) Secured term loans from banks and cash credit facilities

Particulars	As at March 31, 2016	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	9.10%-12.15%	1,24,329.05
<b>TOTAL</b>		<b>1,24,329.05</b>

Particulars	As at March 31, 2015	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	9.60%-10.50%	1,35,354.56
<b>Total</b>		<b>1,35,354.56</b>

### ii) Foreign currency loans from others (secured)

Particulars	As at March 31, 2016	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	0.86%	55,269.45
<b>Total</b>		<b>55,269.45</b>

Particulars	As at March 31, 2015	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	0.60%	36,064.29
<b>Total</b>		<b>36,064.29</b>

### iii) Commercial papers

Particulars	As at March 31, 2016	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	8.09%-9.40%	2,96,000.00
<b>Total</b>		<b>2,96,000.00</b>

Particulars	As at March 31, 2015	
	Rate range	Amount
<b>Repayable on maturity:</b>		
Maturing within 1 year	8.88%-9.15%	3,47,500.00
<b>Total</b>		<b>3,47,500.00</b>

**NOTE 53** 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 III of the Companies Act, 2013 is not given.

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 54 SEGMENT INFORMATION AS PER ACCOUNTING STANDARD 17

The Company has only one significant reportable segment viz., financing segment. Income from insurance broking and manpower supply activities constitutes less than 10% of the total revenue/assets/capital employed. The amounts included in "Others" represents amounts in respect of these activities and are given for reconciling with the total consolidated revenue, profits, assets and liabilities.

Segment Report for the year ended March 31, 2016:

	Year ended 31st March 2016			Year ended 31st March 2015		
	Financing activities	Other reconciling items	Total	Financing activities	Other reconciling items	Total
External revenue	648,582.35	11,169.40	659,751.75	596,345.22	9,745.34	606,090.56
Inter segment revenue	2,156.89	3,870.07	6,026.96	1,938.24	2,875.03	4,813.27
<b>Total revenue</b>	<b>650,739.24</b>	<b>15,039.47</b>	<b>665,778.71</b>	<b>598,283.46</b>	<b>12,620.37</b>	<b>610,903.83</b>
Segment results (Profit before tax and after interest on financing segment)	115,341.52	7,070.46	122,411.98	133,467.22	6,519.64	139,986.86
Less: Interest on unallocated reconciling items	-	-	-	-	-	-
<b>Net Profit before tax</b>	<b>115,341.52</b>	<b>7,070.46</b>	<b>122,411.98</b>	<b>133,467.22</b>	<b>6,519.64</b>	<b>139,986.86</b>
Less: Income taxes	-	-	43,671.83	-	-	47,500.11
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>78,740.15</b>	<b>-</b>	<b>-</b>	<b>92,486.75</b>
<b>Other information:</b>						
Segment assets	4,421,958.53	8,379.83	4,430,338.36	3,813,108.90	1,735.87	3,814,844.77
Unallocated corporate assets	-	-	70,346.00	-	-	48,469.25
<b>Total assets</b>	<b>4,421,958.53</b>	<b>8,379.83</b>	<b>4,500,684.36</b>	<b>3,813,108.90</b>	<b>1,735.87</b>	<b>3,863,314.02</b>
Segment liabilities	3,818,061.36	1,803.60	3,819,864.96	3,263,050.51	1,062.22	3,264,112.73
Unallocated corporate liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>3,818,061.36</b>	<b>1,803.60</b>	<b>3,819,864.96</b>	<b>3,263,050.51</b>	<b>1,062.22</b>	<b>3,264,112.73</b>
Capital expenditure	5,293.85	399.18	5,693.03	4,053.74	164.62	4,218.36
Depreciation/amortisation	4,432.15	137.63	4,569.78	4,426.64	124.12	4,550.76
Non cash expenditure other than depreciation	59,367.20	222.17	59,589.37	37,243.79	152.29	37,396.08

# Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

## NOTE 55 DISCLOSURE REQUIRED UNDER SCHEDULE III OF COMPANIES ACT, 2013

Name of Entity	Net Assets		Share in profit or loss	
	As % of consolidated net assets	Amount (Rs. In lacs)	As % of consolidated profit & loss	Amount (Rs. In lacs)
<b>Parent</b>				
Mahindra & Mahindra Financial Services Limited	94.48%	6,17,587.68	84.12%	66,234.50
	<i>95.63%</i>	<i>5,73,002.49</i>	<i>89.12%</i>	<i>82,422.16</i>
<b>Subsidiaries</b>				
<b>Indian</b>				
1. Mahindra Insurance Brokers Limited	2.03%	13,247.87	5.23%	4,121.29
	<i>1.75%</i>	<i>10,486.17</i>	<i>3.95%</i>	<i>3,649.54</i>
2. Mahindra Rural Housing Finance Limited	1.75%	11,460.87	6.97%	5,484.53
	<i>1.29%</i>	<i>10,466.17</i>	<i>4.18%</i>	<i>3,865.17</i>
3. Mahindra Asset Management Company Private Limited	(0.07%)	(454.09)	(0.57%)	(445.03)
	-	<i>(6.27)</i>	<i>(0.01%)</i>	<i>(5.78)</i>
4. Mahindra Trustee Company Private Limited	0.00%	(7.45)	(0.01%)	(4.92)
	-	<i>(2.53)</i>	-	<i>(2.53)</i>
<b>Foreign</b>				
Minority Interests in all Subsidiaries	1.03%	6,752.75	1.92%	1,510.79
	<i>0.82%</i>	<i>4,929.60</i>	<i>1.29%</i>	<i>1,196.21</i>

Name of Entity	Net Assets		Share in profit or loss	
	As % of consolidated net assets	Amount (Rs. In lacs)	As % of consolidated profit & loss	Amount (Rs. In lacs)
<b>Foreign</b>				
1. Mahindra Finance USA, LLC	0.78%	5,104.90	2.34%	1,838.99
	<i>0.51%</i>	<i>3,060.75</i>	<i>1.47%</i>	<i>1,361.98</i>
<b>Total</b>	<b>100.00%</b>	<b>6,80,819.40</b>	<b>100.00%</b>	<b>78,740.15</b>
	<b>100.00%</b>	<b>5,99,201.30</b>	<b>100.00%</b>	<b>92,486.75</b>

**NOTE 56** MAMCPL was incorporated under the Companies Act, 1956 on June 20, 2013. The company is a subsidiary of Mahindra & Mahindra Financial Services Ltd. The company is incorporated to function as an investment manager to the "Mahindra Mutual Fund". The company has been granted a license from SEBI on February 4, 2016 and is awaiting product approvals from SEBI.

**NOTE 57** MTCPL was incorporated under the Companies Act, 1956 on July 10, 2013. The company is a subsidiary of Mahindra & Mahindra Financial Services Ltd. The company is incorporated to function as a Trustee to the proposed "Mahindra Mutual Fund".

**NOTE 58** Previous year figures have been regrouped/reclassified wherever found necessary.

Signatures to Significant accounting policies and Notes to the financial statements – I and II

For <b>B. K. Khare and Co.</b> Chartered Accountants FRN :105102W	<b>Dhananjay Mungale</b> Chairman	<b>Ramesh Iyer</b> Vice-Chairman & Managing Director	<b>M. G. Bhide</b> Director	<b>Piyush Mankad</b> Director
<b>Naresh Kumar Kataria</b> Partner Membership No.037825	<b>C.B. Bhav</b> Director	<b>Rama Bijapurkar</b> Director	<b>V. S. Parthasarathy</b> Director	<b>Dr. Anish Shah</b> Director
Place : Mumbai Date : April 23, 2016	<b>V Ravi</b> Executive Director & Chief Financial Officer	<b>Arnavaz Pardiwala</b> Company Secretary		

# Annexure A

## Form AOC - 1

(Pursuant to first proviso to sub-section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/associate companies/ joint ventures

#### Part "A" : Subsidiaries

(Rs. in lacs)					
Sr. No.	Particulars	1	2	3	4
1	Name of the subsidiary	Mahindra Insurance Brokers Limited	Mahindra Rural Housing Finance Limited	Mahindra Asset Management Company Private Limited*	Mahindra Trustee Company Private Limited*
2	Reporting period for the subsidiary concerned	April 01, 2015 to March 31, 2016	April 01, 2015 to March 31, 2016	April 01, 2015 to March 31, 2016	April 01, 2015 to March 31, 2016
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	NA	NA	NA	NA
4	Share Capital	257.73	7,572.92	6,055.00	15.00
5	Reserves & Surplus	21,780.06	20,003.78	(451.29)	(7.45)
6	Total Assets	23,743.22	330,123.97	5,723.32	9.04
7	Total Liabilities	23,743.22	330,123.97	5,723.32	9.04
8	Investments	13,390.00	-	5,569.66	-
9	Turnover	14,919.79	49,536.90	-	-
10	Profit before taxation	7,520.42	9,669.64	(445.02)	(4.92)
11	Provision for taxation	2,671.43	3,401.61	-	-
12	Profit after taxation	4,848.59	6,268.03	(445.02)	(4.92)
13	Proposed dividend & tax thereon	465.30	-	-	-
14	% of shareholding	85.00	87.50	100.00	100.00

\*Companies have not started operations

# Annexure A

## Form AOC - 1

**Part "B" : Associates and Joint Ventures**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associate/Joint Ventures	<b>Mahindra Finance USA, LLC</b>
<b>1. Latest audited Balance Sheet Date</b>	March 31, 2016
<b>2. Shares of Associate/Joint Ventures held by the company at the year end</b>	
No.	54933313
Amount of Investment in Associates/Joint Venture (Rs. in lacs)	15,317.32
Extent of Holding %	49.00
<b>3. Description of how there is significant influence</b>	Power to influence decisions
<b>4. Reason why the associate/joint venture is not consolidated</b>	Not Applicable
<b>5. Networth attributable to Shareholding as per latest audited Balance Sheet (Rs. in lacs)</b>	22,964.54
<b>6. Profit/Loss for the year</b>	
i. Considered in Consolidation (Rs. in lacs)	1,838.99
ii. Not Considered in Consolidation (Rs. in lacs)	1,914.06

For <b>B. K. Khare and Co.</b> Chartered Accountants FRN : 105102W	<b>Dhananjay Mungale</b> Chairman	<b>Ramesh Iyer</b> Vice-Chairman & Managing Director	<b>M. G. Bhide</b> Director	<b>Piyush Mankad</b> Director
<b>Naresh Kumar Kataria</b> Partner Membership No.037825	<b>C.B. Bhav</b> Director	<b>Rama Bijapurkar</b> Director	<b>V. S. Parthasarathy</b> Director	<b>Dr. Anish Shah</b> Director
Place : Mumbai Date : April 23, 2016	<b>V Ravi</b> Executive Director & Chief Financial Officer	<b>Arnavaz Pardiwala</b> Company Secretary		









## **Mahindra** FINANCE

Mahindra & Mahindra Financial Services Limited  
Mahindra Towers, 4th Floor, Dr. G.M. Bhosale Marg,  
P. K. Kurne Chowk, Worli, Mumbai - 400 018  
CIN: L65921MH1991PLC059642  
[www.mahindrafinance.com](http://www.mahindrafinance.com)

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