



**MAHINDRA & MAHINDRA FINANCIAL SERVICES
LIMITED**

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

SUMMARY OF RESULTS

Sr.No.		(Rupees in lakhs)				
		F-99	F-98	F-97	F-96	F-95
1.	Business Disbursement	50518	30313	15600	10200	3700
2.	No. of contracts	27000	12000	7142	2882	999
3.	Total assets	57093	42514	28510	15604	7159
4.	Total income	9530	7312	4258	2359	894
5.	Profit before depreciation & tax	3171	2257	1126	668	460
6.	Depreciation	2101	1280	610	364	292
7.	Profit before tax	1070	977	516	304	168
8.	Profit after tax	453	478	146	304	168
9.	Dividend %	10	15	14	20	20
10.	Equity Share Capital	3190	1990	1990	796	398
11.	Preference Share Capital	—	906	—	—	—
12.	Reserves & Surplus	3683	2376	2226	1439	473
13.	Net Worth	6873	5272	4216	2235	871
14.	EPS #	1.52	2.40	1.45*	4.57	4.94
15.	CEPS #	9.65	8.96	7.53*	10.08	13.55
16.	No. of employees	205	130	62	33	13
17.	Branches	81	31	11	1	-

Based on average Equity Capital

* After 1 : 4 Bonus during 1996-97

**MAHINDRA & MAHINDRA
FINANCIAL SERVICES LIMITED**

ANNEXURE TO DIRECTORS' REPORT

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

Name of the Employee	Designation/ Nature of Duties	Gross Remuneration (Subject to - income tax) (Rs.)	Qualifications	Age/ Experience (years)	Date of Commencement of Employment	Last Employment
S. Kaji	Chief Executive	11,86,331	B.Com(Hons.), F.C.A	64/41	01-10-1995	Controller of Finance & Accounts, Tata Chemicals Ltd.
Ramesh Iyer	General Manager - Operations	7,42,120	B.Com, MBA	41/22	01-10-1995	Regional Manager, Ashok Leyland - Finance Ltd.
V. Ravi	General Manager- Finance	7,40,482	B.Com, ACA, AICWA	39/16	01-10-1995	Senior Finance Executive, Mahindra Ugine Steel Co. Ltd.

Notes :

1. Nature of employment is permanent, subject to termination on three months' notice from either side.
2. None of the above employees is related to any Director of the Company.
3. No employee holds by himself or along with his spouse and dependent children 2% or more of the equity shares of the Company.
4. Employment terms and conditions are as per Company's rules.
5. Remuneration received as shown in the statement includes Salary, House Rent Allowance or value of perquisites for accommodation, car perquisite value, reimbursement of medical expenses, employer's contribution to Provident Fund, Superannuation Fund and Gratuity Fund, premium for Medclaim and all other allowances/perquisites as applicable.

For and on behalf of the Board

**ANAND G. MAHINDRA
Chairman**

Mumbai, 27th May, 1999.

**MAHINDRA & MAHINDRA
FINANCIAL SERVICES LIMITED**

DIRECTORS

Anand G. Mahindra Chairman
 Uday S. Kotak
 Alan Durante
 Bharat Doshi
 U. Y. Phadke
 K.J. Davasia
 Richie Rodrigues
 Nikunj Sanghi
 Dhananjay Mungale

Chief Executive

Ramesh Iyer

Auditors

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

Solicitors

Little & Co.
 Central Bank Building
 Mahatma Gandhi Road,
 Mumbai - 400 023.

Bankers

State Bank of India
 Union Bank of India
 Punjab National Bank
 ANZ Grindlays Bank
 Bank of America
 Canara Bank
 The United Western Bank Ltd.
 Standard Chartered Bank Ltd.
 HDFC Bank Ltd.
 UTI Bank Ltd.
 Corporation Bank
 Vysya Bank Ltd.
 ABN-Amro Bank

Corporate Office

Mahindra Towers, Gr. Floor,
 Dr. G. M. Bhosle Marg,
 P. K. Kurne Chowk, Worli,
 Mumbai - 400 018.

Registered Office

Gateway Building,
 Apollo Bunder,
 Mumbai - 400 001.

NINTH ANNUAL GENERAL MEETING

Date : 27th July, 1999.
 Day : Tuesday
 Time : 5 p.m.
 Place : Mahindra Towers, 6th Floor,
 Dr. G. M. Bhosle Marg,
 P. K. Kurne Chowk,
 Worli, Mumbai 400 018.

DIRECTORS' REPORT**MAHINDRA & MAHINDRA
FINANCIAL SERVICES LIMITED****DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting their Ninth Report together with the audited accounts of your Company for the year ended 31st March, 1999.

SUMMARISED FINANCIAL RESULTS

	Rs. in Lakhs	
	1999	1998
INCOME FROM OPERATIONS	9530.32	7312.41
LESS : FINANCE COSTS	4367.15	3760.56
EXPENDITURE	1992.24	1294.55
DEPRECIATION	2100.93	1279.89
	8460.32	6335.00
PROFIT BEFORE TAX	1070.00	977.41
LESS : PROVISION FOR TAX	617.20	499.00
PROFIT AFTER TAX	452.80	478.41
ADD : AMOUNT BROUGHT FORWARD FROM PREVIOUS YEAR	280.33	251.30
AMOUNT AVAILABLE FOR APPROPRIATION	733.13	729.71
APPROPRIATIONS :		
GENERAL RESERVE	25.00	25.00
SPECIAL RESERVE	90.60	95.72
DIVIDEND ON 11.25% PREFERENCE SHARES REDEEMED ON 9TH OCTOBER, 1998	53.36	0.28
INCOME TAX ON PREFERENCE DIVIDEND	5.33	0.03
PROPOSED DIVIDEND ON EQUITY SHARES	259.18	298.50
INCOME-TAX ON PROPOSED DIVIDEND	28.51	29.85
SURPLUS CARRIED TO BALANCE SHEET	271.15	280.33
	733.13	729.71

DIRECTORS' REPORT

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

In September, 1998, your Company allotted 1,20,03,231 equity shares of Rs. 10 each for cash at a premium of Rs. 10 per share on a rights basis.

On 9th October, 1998, the Company redeemed 90,63,791 11.25% Cumulative Redeemable Preference Shares of Rs. 10 each at par from out of the proceeds of the rights issue made by the Company in September, 1998.

Consequent to the above, the paid-up share capital of the Company stands at Rs. 31,90,32,310 divided into 3,19,03,231 equity shares of Rs. 10 each.

DIVIDEND

Dividend @ 11.25% due on the Cumulative Redeemable Preference Shares from 1st April, 1998 up to the date of redemption was paid to the holders of the shares alongwith the face value of these shares, as approved by your Directors at their Meeting held on 18th August, 1998. The dividend on these shares for the aforesaid period amounted to Rs. 58.69 lakhs, including tax on dividend of Rs. 5.33 lakhs.

Your Directors recommend a dividend @ 10% on equity shares of Rs. 10 each payable as follows to those members whose names appear on the Register of Members as on 16th July, 1999 being the record date fixed for the purpose :-

	Rupees (in lakhs)
(a) A dividend of Re.1/- per share on 1,99,00,000 equity shares of Rs.10/- each	199.00
(b) A pro-rata dividend of Re.0.50 per share on 1,20,03,231 equity shares of Rs.10/- each allotted on 30 th September, 1998	60.18
Total	259.18

MAHINDRA & MAHINDRA LIMITED - THE HOLDING COMPANY

Pursuant to the allotment of equity shares in September 1998, the holding of Mahindra & Mahindra Limited (M&M) in the share capital of the Company increased to 53.92%, thereby making the Company a subsidiary of M&M. As at 31st March, 1999, M&M holds 93.11% of the Company's equity.

OPERATIONS

Despite the slow down in the Automobile industry, the Company disbursed Rs. 505 crores during the year compared to Rs.303 crore disbursed during last year, clocking a growth rate of 67%. This was achieved due to the Company's strategy of penetrating the semi urban and rural markets and of catering mainly to Mahindra range of vehicles and tractors.

The disbursement of Rs. 505 crores includes an amount of Rs. 117 crores towards tractor financing to the dealers of Mahindra & Mahindra Limited. The Company was satisfied with the recovery in tractor financing and also initiated a pilot project for retail tractor financing in selected areas. Based on the positive feedback from this pilot project, the Company proposes to gradually enter retail tractor financing in the coming years.

The income of the Company during the year stood at Rs. 95.30 crores showing a growth of 30% over the previous year. The profit before tax at Rs. 10.70 crores has increased by 9.5%. Due to higher provision for tax, Profit after tax has been marginally lower mainly on account of discontinuance of lease finance that qualify for hundred percent depreciation items.

The Company registered an impressive growth both in business and profits despite the year being one of the most difficult years for the NBFC sector.

DIRECTORS' REPORT

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

COMPANY'S POSITION IN CURRENT ENVIRONMENT FOR NON-BANKING FINANCE COMPANY (NBFC) SECTOR

During the year, the Government appointed a task force to review the regulatory framework for Non Banking Finance Companies. Some of the major recommendations of the task force include acceptance of deposits delinked from credit rating, permitting Equipment Leasing / Hire Purchase companies with minimum investment grade to accept deposits upto four times their net owned funds provided they have Capital to Risk Assets Ratio (CRAR) of 12% or above as on 31st March, 1999, and enhancing Capital Adequacy Ratio to 15% over a period.

As per the Reserve Bank of India's (RBI) guidelines, Capital Adequacy stipulation stands increased to 12% by 31st March, 1999. The capital adequacy of the Company computed in accordance with the same guidelines works out to approximately 14.43% as of 31st March, 1999, which is higher than the required rate of 12%.

The Company has made adequate provision in respect of Non-Performing Assets, fully adhering to the RBI guidelines.

RBI REGISTRATION

Pursuant to the Company's application for registration and audit by special auditors appointed by the Reserve Bank of India, the Company has received a certificate of registration from RBI during the month of September, 1998.

CREDIT RATING

Your Company is one of the few companies in the NBFC sector to get reaffirmation of its rating for its fixed deposit programme from CRISIL. The "FAA-" rating assigned to the Company's Fixed Deposit programme indicates that the degree of

safety regarding timely payment of interest and principal is strong.

FINANCE

During the year under review, the interest rate witnessed a general downward trend and taking advantage of this trend, your Company was able to reduce its borrowing costs by 1.5% to 2%. The lending rates were also under pressure due to recession in the automobile industry, requiring your Company to drop its rates by 3% to 4%.

In order to reduce the interest cost and correct the asset liability mis-match, the Company repaid certain high cost fixed deposits carrying interest rate of 17% to 20% per annum. The Company also repaid Non-Convertible Debentures of Rs. 5 crores which were borrowed at an interest rate of 18.75% per annum. The Company has raised Rs. 40 crores as additional bank finance at a reasonable interest rate, considering the then prevailing prime rate.

During the year, holders of Debentures of Rs. 90.20 lakhs exercised the put option from out of the non-convertible Debentures of Rs.599.75 lakhs placed in the previous year.

During the year, the Company raised certain foreign currency borrowings amounting to Rs.15.5 crores at competitive rates on a fully hedged basis from Banks.

CURRENT YEAR

Reserve Bank of India announced its credit policy for the year 1999-2000 in April 1999. The Cash Reserve Ratio (CRR) has been reduced by 0.5% from 10.5% to 10%. This reduction in CRR is expected to augment lending resources of banks by about Rs. 3250 crores. The bank rate remained unchanged at 8%.

Pursuant to the policy, banks have marginally reduced the lending rates but have yet to take a