

Bringing Indians closer to their dreams.



FIFTEENTH ANNUAL REPORT 2004 - 05
Mahindra & Mahindra Financial Services Ltd

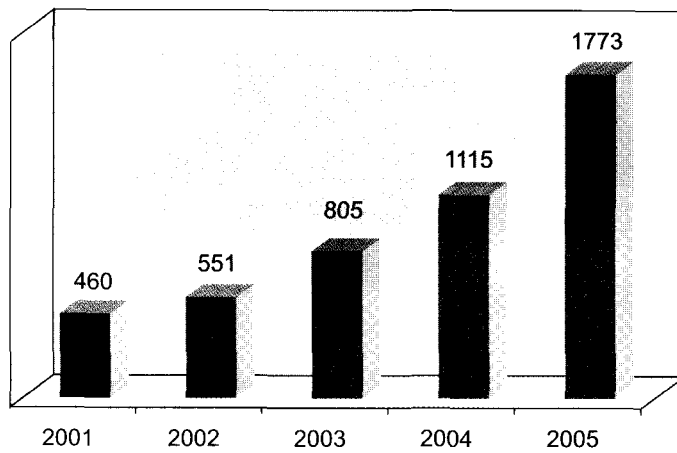


It's a never ending journey to fulfil dreams.

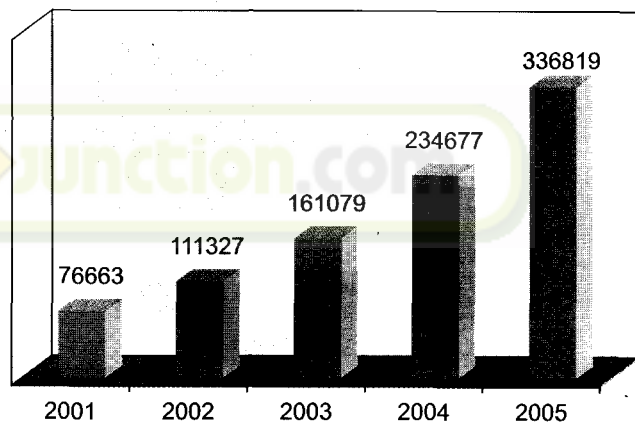
 **Mahindra Finance**



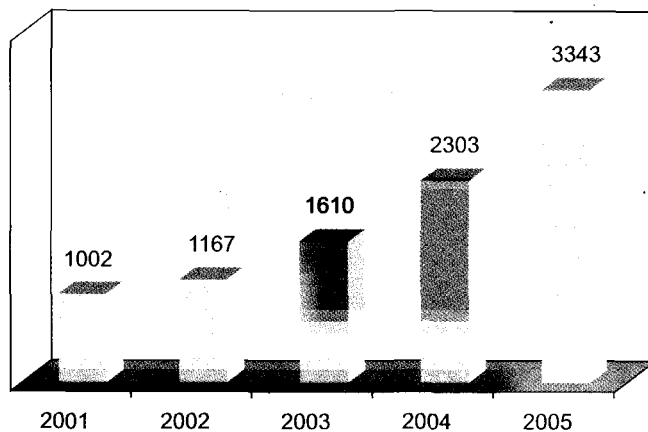
NO. OF EMPLOYEES

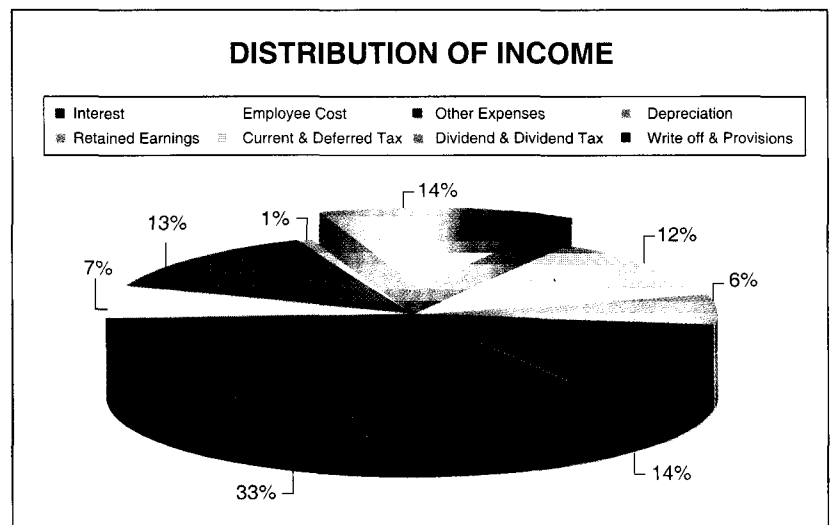
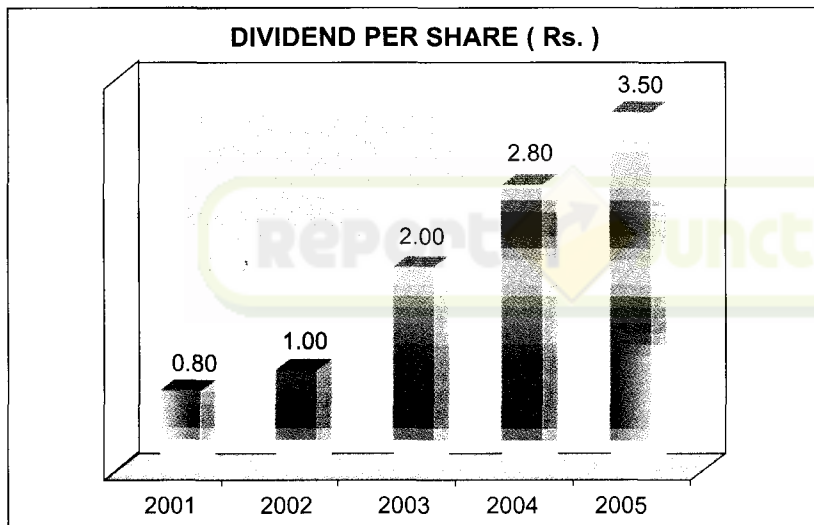
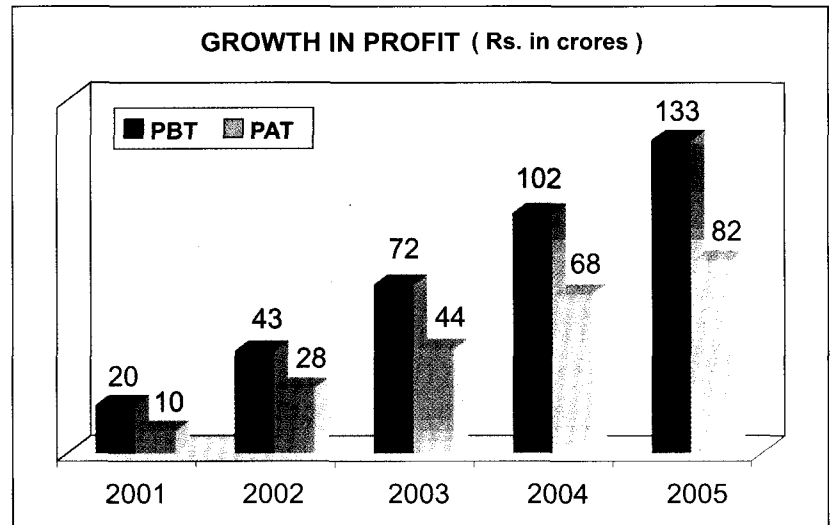


NO. OF CONTRACTS

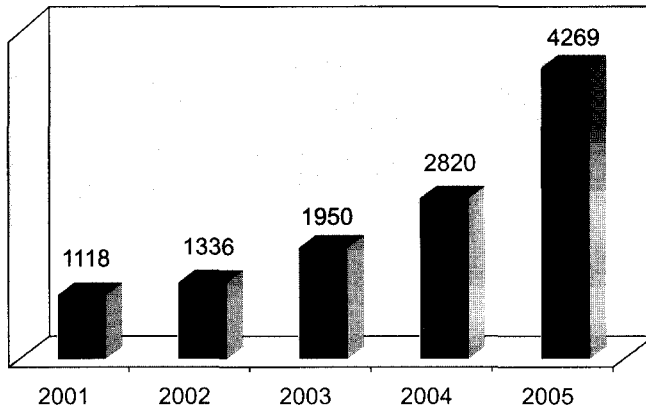


GROWTH IN DISBURSEMENT (Rs. in Crores)

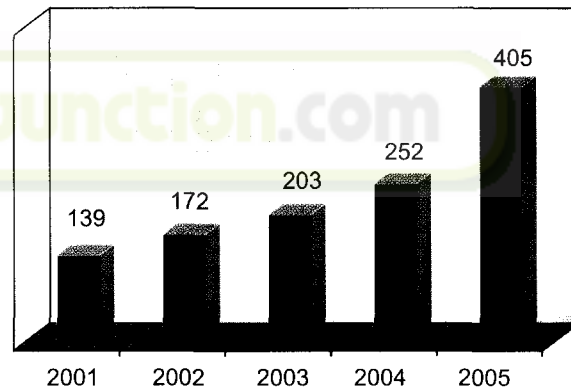




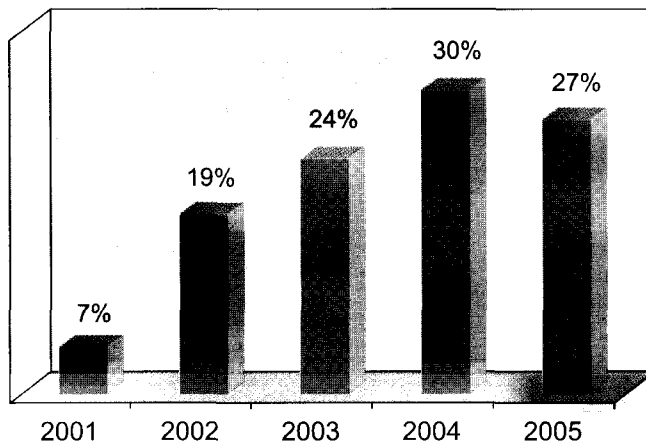
ASSETS UNDER MANAGEMENT (Rs. in Crores)



**GROWTH IN SHAREHOLDERS' FUND
(Rs in crore)**



RETURN ON NETWORTH



SUMMARY OF RESULTS**[Rs. in lacs]**

	F-2005	F-2004	F-2003	F-2002	F-2001
Business Disbursement	334336	230270	160985	116675	100197
No. of Contracts	336819	234677	161079	111327	76663
Assets under Management	426858	282036	195003	136624	111793
Total Income	40592	30167	24573	19134	13879
Profit before depreciation & tax	13631	10647	8022	5529	3837
Depreciation	350	460	847	1187	1790
Profit before tax	13281	10187	7175	4342	2047
Profit after tax	8228	6762	4435	2772	961
Dividend%	35	28	20	10	8
Equity Share Capital	7016	6062	6062	6062	6062
Reserves & Surplus	28542	19111	14263	11118	7804
Net Worth	40501	25155	20290	17122	13866
No. of employees	1773	1115	805	551	460
Branches	256	224	196	151	128

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Registrar & Transfer Agent

Sharepro Services
 Detem Estate, 3rd Floor, Above Bank of Baroda,
 Cardinal Gracious Road, Chakala, Andheri (E),
 Mumbai - 400 099.

Trustees

UTI Bank Limited
 Maker Tower 'F', 11th Floor, Cuffe Parade,
 Mumbai - 400 005.

FIFTEENTH ANNUAL GENERAL MEETING

Date : 10th June, 2005
 Day : Friday
 Time : 3.00 p.m.
 Place : Sadhana House, 2nd Floor,
 Behind Mahindra Towers, 570 P.B. Marg,
 Worli, Mumbai - 400 018.

DIRECTORS

Anand G. Mahindra **Chairman**
 Bharat Doshi
 Alan Durante

Anjanikumar Chaudhari
 Uday Y. Phadke
 Dhananjay Mungale
 M.G. Bhide
 Nasser Munjee
 Piyush Mankad
 Dipak Rudra
 Ramesh Iyer

Managing Director**Chief Financial Officer**

V. Ravi

Company Secretary

N. Shankar

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
 Corporation Bank
 Punjab National Bank
 Canara Bank
 Indian Overseas Bank
 Standard Chartered Bank
 Bank of America
 ABN Amro Bank
 Bank of Nova Scotia
 Calyon Bank
 The Hong Kong & Shanghai Banking Corporation Ltd.
 HDFC Bank Ltd.
 IDBI Bank Ltd.
 ING Vysya Bank Ltd.
 UTI Bank Ltd.
 United Western Bank Ltd.
 Dhanalakshmi Bank Ltd.
 ICICI Bank Ltd.
 Kotak Mahindra Bank Ltd.
 Indus Ind Bank Ltd.

Corporate Office

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

Registered Office

Gateway Building,
 Apollo Bunder, Mumbai - 400 001.

DIRECTORS' REPORT

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure to present the Fifteenth Annual Report together with the audited accounts of your Company for the year ended 31st March, 2005. The summarized financial results of the Company, are given hereunder :

FINANCIAL RESULTS:

	Rs. in crores	
	2005	2004
INCOME FROM OPERATIONS	405.92	301.67
LESS : FINANCE COSTS	133.02	96.88
EXPENDITURE	136.59	98.32
DEPRECIATION	3.50	4.60
	273.11	199.80
PROFIT BEFORE TAX	132.81	101.87
LESS : PROVISION FOR TAX - CURRENT TAX	55.84	41.91
LESS /(ADD) :PROVISION FOR TAX -DEFERRED TAX (NET)	(5.30)	(5.24)
PROFIT AFTER TAX FOR THE YEAR	82.27	65.20
ADD : EXCESS PROVISION FOR TAX - EARLIER YEARS (NET)	0.01	2.42
	82.28	67.62
ADD : AMOUNT BROUGHT FORWARD FROM PREVIOUS YEARS	70.22	42.08
AMOUNT AVAILABLE FOR APPROPRIATION	152.50	109.70
APPROPRIATIONS :		
GENERAL RESERVE	8.30	6.80
STATUTORY RESERVE	16.46	13.53
DIVIDEND ON PREFERENCE SHARES (INTERIM)	1.77	-
INCOME -TAX ON PREFERENCE DIVIDEND (INTERIM)	0.23	-
DIVIDEND ON EQUITY SHARES (INTERIM)	10.30	6.67
INCOME-TAX ON DIVIDEND (INTERIM)	1.35	0.85
PROPOSED DIVIDEND ON EQUITY SHARES (FINAL)	10.92	10.31
INCOME-TAX ON PROPOSED DIVIDEND (FINAL)	1.53	1.32
SURPLUS CARRIED TO BALANCE SHEET	101.64	70.22
	152.50	109.70

LOAN DISBURSEMENTS DURING THE YEAR

3343.36 2302.69

DIRECTORS' REPORT



DIVIDEND

Equity Shares

Your Directors declared an interim dividend of 17% (Rs. 1.70 per equity share). The dividend entailing an outgo, including tax, of Rs. 11.65 crores has already been paid to the shareholders whose names appeared in the Register of Members as on 26th October, 2004.

Your Directors are pleased to recommend a final dividend of 18% (Rs. 1.80 per equity share), payable to those members whose names appear in the Register of Members as on 25th May, 2005, the Record date fixed for the purpose. The final dividend, inclusive of tax on distributed profits, will absorb a sum of Rs. 12.45 crores. 95,32,777 Equity Shares allotted on 30th March, 2005 would be eligible for dividend on a pro-rata basis from the date of allotment.

The total dividend outgo on account of dividend payment on equity shares for the financial year 2004-2005, inclusive of tax on distributed profits, is Rs.24.10 crores, as against Rs.19.15 crores paid for the previous year.

Preference Shares

Your Directors also declared an interim dividend of 6.90% on 50,00,000 Cumulative Redeemable Non-Convertible Preference Shares of Rs.100 each (Rs.6.90 per Preference Share) on pro-rata basis from the date(s) of allotment(s). The dividend entailing an outgo, including tax, of Rs.2 crores has already been paid to the shareholders whose names appeared in the Register of Members as on 21st February, 2005.

OPERATIONS

The automobile industry continued to maintain positive growth in the financial year 2004-05. There was a surge in demand for Utility Vehicles, Light Commercial Vehicles and Passenger Cars enabling the players in these segments to introduce different models which led to increased sales almost all through the year.

The tractor industry also registered a positive growth for the second consecutive year with the aid of a good monsoon and rural thrust of the Government in the current fiscal year.

Consequently, your Company's Disbursement for the fiscal year 2004-05 touched an all time high of Rs.3343 crores, a significant growth of 45% as compared to the disbursement of Rs.2303 crores in the previous year. Your Company's proactive approach in floating tailor made finance schemes and deeper coverage of rural areas resulted in growth in disbursement and profitability. Your Directors are pleased to inform you that your Company continues to be a leading NBFC in financing of four wheelers.

Your Company continues to maintain its market share of disbursement for products of the parent Company. During the year, the Company also recorded a significant growth in disbursement for LMVs and pre-owned vehicles as compared to the previous year.

During the period under review, your Company crossed a milestone of 3,00,000 contracts. Your Company added 1,02,142 new contracts thereby taking the total number of contracts to 3,36,819 as at 31st March, 2005.

Your Company reported an income of Rs.405.92 crores for the financial year 2004-05 as against Rs.301.67 crores for the previous year, registering a growth of 35%. The profits before tax at Rs.132.81 crores recorded an increase of 30% over the previous year's profit before tax of Rs.101.87 crores. The profit after tax at Rs.82.27 crores, was 26% higher than the profit after tax of Rs.65.20 crores for the previous fiscal year.

Your Company continued to provide additional provisions to the extent of Rs.8.54 crores towards non-performing assets over and above the norms of Reserve Bank of India as per the recommendation of the Audit Committee of the Board.

As a part of your Company's strategy to penetrate further into deeper rural pockets to create growth avenues, 32 more branches were opened during the current fiscal year, taking the total network to 256 branches as of 31st March, 2005. In the process, your Company also started operations at Port Blair and became the first Indian NBFC to start operations in this island.

DIRECTORS' REPORT

Your Directors are glad to inform that the Assets under Management crossed Rs. 4000 crores during the review period and was at Rs. 4269 crores as of 31st March, 2005.

BRAND ENHANCEMENT

In a move to establish an unique brand for itself in the rural financing segment, your Company commenced the exercise of brand building during the fiscal year 2004-05. To begin with, your Company intends to have identical appearance at all its Regional Offices, the work for which has already been commenced in certain regions.

During the year, your Company appointed an external agency to undertake Dealer and Customer survey to study the market potential and expectations. The agency conducted surveys in major markets in the Northern and Southern parts of the country. The test market study by the agency is underway in other places.

GLOBALISATION

Mahindra & Mahindra Limited, the parent Company, has expanded its operations to various countries like USA, South Africa, China, Sri Lanka etc. Looking at the business synergies, your Company also proposes to explore the potential for financing/tie-ups for financing M&M products in these countries.

SUBSIDIARY COMPANY

During the year, Mahindra Insurance Brokers Limited (MIBL) became a wholly owned subsidiary of your Company. MIBL received a Direct Broker license from the Insurance Regulatory and Development Authority (IRDA) on 18th May, 2004, and commenced the insurance broking business for both life and non-life products.

During the period under review, MIBL covered 26,724 lives with a Sum Assured of Rs.601.90 crores through "Mahindra Loan Suraksha" (MLS), a customized life insurance product introduced for the customers of your Company.

During the year under review, MIBL started broking of motor insurance products and covered 12,438 cases under this portfolio.

MIBL generated a total premium of Rs.21.73 crores and reported a total income of Rs. 3.44 crores during the period under review. The profit before tax was at Rs.2.76 crores and profit after tax was at Rs. 1.73 crores.

FURTHER ISSUE OF SHARES AND CAPITAL ADEQUACY

In order to strengthen its capital base, your Company issued 95,32,777 Equity Shares of Rs. 10 each for cash at a premium of Rs.40 per share on a Rights basis aggregating Rs.47.66 crores. Your Company also issued 6.90% 50,00,000 Preference Shares of Rs.100 each aggregating Rs.50 crores during the year under review.

Consequent upon the above issues, the share capital of the Company has increased to Rs. 120.15 crores from Rs.60.62 crores and the share premium, to Rs.103.50 crores from Rs.65.37 crores.

As a result of the increased net worth, the Company was able to maintain the Capital to Risk Assets Ratio (CRAR) of 17.74% as on March 31, 2005 well above 12% CRAR prescribed by the Reserve Bank of India.

RBI INSPECTION

During the financial year, the Reserve Bank of India carried out its regular onsite inspection of the various records and the systems/procedures followed by the Company. The areas highlighted by the inspection team for improvement have been well addressed by your Company.

CREDIT RATING

During the financial year 2004-05, CRISIL Ltd. upgraded the rating from "FAA" to "FAA+" for your Company's Fixed Deposit Scheme, in line with the upgradation of parent Company's rating. This rating indicates that the degree of safety with regard to the timely payment of interest and