A.K. Stockmart Pvt. Ltd.

Public Issue of Secured, Redeemable, Non-Convertible Debentures and Unsecured Subordinated, Redeemable, Non-Convertible Debentures
Of
MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

ISSUE OPENS: January 4, 2019 – ISSUE CLOSES: January 25, 2019

Mahindra FINANCE

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

INVESTMENT RATIONALE

- **The Issue offers yields ranging from 9.02% to 9.50% depending up on the Category of Investor and the option applied for.**
- **Public Issue by Mahindra & Mahindra Financial Services Limited of Secured Redeemable Non-Convertible Debentures of face value of Rs. 1,000 each ("Secured NCDs") and Unsecured Redeemable Non-Convertible Debentures of face value of Rs 1,000 each ("Unsecured NCDs") for an amount of Rs. 500 crore ("Base Issue Size") with an option to retain oversubscription up to Rs. 3000 crore aggregating up to Rs. 3500 crore ("Tranche I Issue Limit") ("Tranche I Issue"). The Secured NCDs shall be allotted for a value of up to Rs. 2500 crore and the Unsecured NCDs shall be allotted for a value of up to Rs. 1000 crore within the overall limit of Rs. 3500 crore. The Unsecured NCDs shall be in the form of subordinated debt eligible for Tier II Capital.**
- **Credit Rating of "CARE AAA (Triple A); Stable" for an amount of up to Rs 10,000 Crore, by Credit Analysis & Research Ltd. and "IND AAA; Stable" for an amount of up to Rs 10,000 Crore, by India Ratings and Research Private Limited.**
- **The NCDs are proposed to be listed on BSE Limited ("BSE"). For the purpose of the Issue, BSE shall be the Designated Stock Exchange.**

COMPANY PROFILE

- Mahindra & Mahindra Financial Services Limited (MMFSL) is part of the Mahindra group, which is one of the largest business conglomerates in India.
- MMFSL Company was incorporated on 1 January 1991 under the name of Maxi Motors Financial Services Limited as a public limited company under the provisions of the Companies Act 1956.
- Mahindra & Mahindra Financial Services Limited is one of the leading non-banking finance companies with customers primarily in the rural and semi-urban markets of India. MMFSL is primarily engaged in providing financing for new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles. MMFSL also provides housing finance, manage mutual funds, personal loans, financing to small and medium enterprises, insurance broking and mutual fund distribution services.
- MMFSL has established a pan-India presence, spanning 27 states and five union territories through 1,296 offices as of 30 September 2018. MMFSL caters to the financing needs of retail customers and small and medium-sized enterprises. MMFSL primarily focuses on providing financing for purchases of auto and utility vehicles, tractors, cars, commercial vehicles and construction equipment, pre-owned vehicles, and others which accounted for 26 %, 18 %, 20 %, 13 %, 23% and 9 % of estimated total value of the assets financed by MMFSL, respectively, for the financial year 2018.
- For the half-year ended 30 September 2018, financing for purchases of auto and utility vehicles; tractors; cars; commercial vehicles and construction equipment; and pre-owned vehicles, SME and others accounted for 23%, 18%, 20%, 18% and 21% of estimated total value of the assets financed by the Company, respectively.
- Mahindra & Mahindra, the promoter and the flagship company of the Mahindra group, had a market capitalisation of Rs. 90,600 crore as of 30 September 2018. The Mahindra group has a strong presence in the utility vehicles, tractors, information technology, financial services, aerospace, real estate, hospitality and logistics sectors.
- In October 2007, MMFSL commenced housing finance business through registered subsidiary, Mahindra Rural Housing Finance Limited (MRHFL). MMFSL hold 89.0% of the outstanding equity shares of MRHFL and on 20 June 2013, Mahindra Asset Management Company Private Limited was incorporated and was appointed as the asset management company of the Mahindra Mutual Fund. The Mahindra Mutual Fund was constituted as a trust and was registered with SEBI.

Source: Shelf Prospectus and Tranche I Prospectus dated 21st December 2018
Disclaimer: Invest only after referring to the final prospectus

STRENGTHS

- ***Knowledge of Rural and Semi-Urban Markets***

  MMFSL has over 20 years of operating experience primarily in rural and semi-urban markets, which has led to a significant understanding of the local characteristics of these markets and has allowed MMFSL to address the unique needs of its customers. MMFSL has adapted to markets that are affected by the limitations of rural infrastructure and have developed a diversified customer base of farmers, car owners, transport agencies, small businessmen and home owners.

- ***Extensive Network of Offices***

  MMFSL operate an extensive network of 1,296 offices spanning across 27 states and 5 union territories, as of 30 September 2018. The reach of MMFSL's offices allows them to service existing customers and attract new customers as a result of personal relationships cultivated through proximity and frequent interaction by its employees. Geographic diversification of the company also mitigates some of the regional, climatic and cyclical risks, such as heavy monsoons or droughts.

- ***Streamlined Approval and Administrative Procedures and Effective Use of Technology***

  MMFSL believe that they benefit from streamlined company-wide approval and administrative procedures that are supplemented by employee training and integrated technology. Local offices are responsible for appraisal, disbursement, collection and delinquency management of loans. Typically, MMFSL approve loans within two business days from receiving the complete loan application. As part of application process, MMFSL also require that the customer provides a guarantor prior to disbursing the funds, a process which they believe acts as a social enforcement mechanism for timely repayment by the customer.

- ***History of Strong Customer and Dealer Relationships***

  MMFSL believe that they can benefit from strong relationships with their customers, developed from long-term in-person customer contact, the reach of their office network, local knowledge and continued association with automotive, farm equipment and car dealers. As part of MMFSL's customer-centric approach, it recruits employees locally to increase familiarity with the local customers and area. Company's close relationship with dealers helps it develop and maintain strong customer relationships.

- ***Brand Recall and Synergies with the Mahindra Group***

  M&M, the Promoter and the flagship company of the Mahindra group, has been selling automotive and farm equipment in semi-urban and rural markets for over six decades. The Mahindra group is one of the largest business conglomerates in India and has a strong presence in the utility vehicles, tractors, information technology, financial services, aerospace, real estate, and hospitality and logistics sectors. MMFSL's relationship with the Mahindra group provides brand recall and the company will continue to derive significant marketing and operational benefits.

- ***Access to Cost-Effective Funding***

  MMFSL believe that they are able to access cost-effective borrowings due to strong brand equity, stable credit history, superior credit ratings and conservative risk management policies. Historically, MMFSL has secured cost- effective funding from a variety of sources. The company maintains borrowing relationships with several banks, mutual funds and insurance companies. For the period ended 30 September 2018 and the financial year 2018, Company's average annualised interest cost of borrowed funds was 8.2% and 8.1%, respectively.

- ***Experienced Management Team***

  MMFSL has an experienced management team, which is supported by a capable and motivated pool of employees. Senior managers have diverse experience in various financial services and functions related to business. Senior managers have an in-depth understanding of the specific industry, products and geographic regions they cover, which enables them to appropriately support and provide guidance to their employees.

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ISSUE STRUCTURE

Issuer	Mahindra & Mahindra Financial Services Limited
Type of instrument/ Name of the security/ Seniority	Secured and/ or Unsecured Subordinated, Redeemable, Non-Convertible Debentures
Nature of Indebtedness and Ranking / Seniority	Secured and/ or Unsecured Subordinated, Redeemable, Non-Convertible Debentures subject to applicable RBI requirements and other applicable statutory and/or regulatory provisions. The Unsecured NCDs will be in the nature of subordinated debt and will be eligible for Tier II capital
Mode of the issue	Public issue
Lead Managers	A. K. Capital Services Limited, Edelweiss Financial Services Limited, Axis Bank Limited, ICICI Securities Limited, SBI Capital Markets Limited, Trust Investment Advisors Private Limited, YES Securities (India) Limited
Tranche I Issue/Tranche I Issue Size	Public Issue by Mahindra & Mahindra Financial Services Limited of Secured Redeemable Non-Convertible Debentures of face value of Rs. 1,000 (Indian Rupees One Thousand) Each and/ or unsecured, subordinated, redeemable non-convertible debentures of face value of Rs. 1,000 (Indian Rupees One Thousand) each for an amount aggregating up to of Rs. 500 crore ("Base Issue Size") with an option to retain oversubscription up to Rs. 3000 crore aggregating up to Rs. 3500 crore. The Secured NCDs shall be allotted for a value of up to Rs. 2500 crore and the Unsecured NCDs shall be allotted for a value of up to Rs. 1000 crore within the overall limit of Rs. 3500 crore.
Base Issue Size	Rs. 500 crore
Option to retain Oversubscription Amount	Rs. 3000 crore
Issuance mode of the instrument	In dematerialised form only
Day count basis	Actual / Actual
Default interest rate	The company shall pay interest in connection with any delay in allotment, refunds, listing, dematerialized credit, execution of Debenture Trust Deed, payment of interest, redemption of principal amount beyond the time limits prescribed under applicable statutory and/or regulatory requirements, at such rates as stipulated/ prescribed under applicable laws
Redemption Date	Shall mean 39 months from Deemed Date of Allotment for Series I NCDs, 60 months years from Deemed Date of Allotment for Series II NCDs, 96 months from Deemed Date of Allotment for Series III NCDs and 120 months from Deemed Date of Allotment for Series IV. If the Redemption Date/Maturity Date of any Series of the NCDs falls on a day that is not a Working Day, the redemption/maturity proceeds shall be paid on the immediately preceding Working Day along with interest accrued on the NCDs until but excluding the date of such payment.
Issue Price (in Rs.)	Rs. 1,000 per NCD
Face value	Rs. 1,000 per NCD
Minimum Application size and in multiples of NCD thereafter	Rs. 10,000 (10 NCDs) collectively across all Series and in multiple of Rs. 1,000 (1 NCD) thereafter across all Series
Market Lot/ Trading Lot	One
Pay-in date	Application Date. The entire Application Amount is payable on Application.
Credit ratings	The NCDs proposed to be issued under the Issue have been rated 'CARE AAA; Stable' for an amount of Rs. 10,000 crores, by CARE and "IND AAA; Stable" for an amount of Rs. 10,000 crores, by India Ratings. The rating of NCDs by CARE and India Ratings vide their letter dated September 29, 2018 and revalidated by revalidation letters dated October 31, 2018 and December 17, 2018 and vide letter dated October 3, 2018 and revalidated by revalidation letters dated November 2, 2018 and December 18, 2018, respectively indicate that instruments with the rating are considered to have highest degree of safety regarding timely servicing of financial obligations and carry lowest credit risk.
Listing	The NCDs are proposed to be listed on BSE. The NCDs shall be listed within 6 (six) Working Days from the date of Issue Closure.
Trading mode of the instrument	In dematerialised form only
Tranche I Issue opening date	4-Jan-19
Tranche I Issue closing date**	25-Jan-19
Record date	15 (fifteen) days prior to the relevant interest payment date, relevant Redemption Date for NCDs issued under the relevant Tranche Prospectus. In case of redemption of NCDs, the trading in the NCDs shall remain suspended between the Record Date and the Redemption Date. In the event the Record Date falls on a Sunday or holidays of Depositories, the succeeding working day or a date notified by the Company to the stock exchanges shall be considered as Record Date.
Deemed date of Allotment	The date on which the Board of Directors/or Bond Issue Committee approves the Allotment of the NCDs for each Tranche Issue or such date as may be determined by the Board of Directors/ or duly authorised committee thereof and notified to the Designated Stock Exchange. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment. All benefits relating to the NCDs including interest on NCDs (as specified for each Tranche Issue by way of the relevant Tranche Prospectus) shall be available to the Debenture holders from the Deemed Date of Allotment.

***The Tranche I Issue shall remain open for subscription on Working Days from 10 a.m. to 5 p.m. during the period indicated above, except that the Tranche I Issue may close on such earlier date or extended date as may be decided by the Board or Bond Issue Committee thereof. In the event of an early closure or extension of the Tranche I Issue, the Company shall ensure that notice of the same is provided to the prospective investors through an advertisement in a reputed daily national newspaper on or before such earlier or extended date of Issue closure. On the Tranche I Issue Closing Date, Application Forms will be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and uploaded until 5 p.m. or such extended time as may be permitted by BSE.*

Source: Shelf Prospectus and Tranche I Prospectus dated 21st December 2018

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INVESTOR CATEGORIES AND ALLOTMENT

Category I	Category II	Category III	Category IV
Institutional Investors	**Non Institutional Investors**	**High Net-worth Individual, ("HNIs"), Investors**	**Retail Individual Investors**
• Public financial institutions scheduled commercial banks, Indian multilateral and bilateral development financial institution which are authorized to invest in the NCDs; • Provident funds, pension funds with a minimum corpus of Rs 2,500 lakh, superannuation funds and gratuity funds, which are authorized to invest in the NCDs; • Mutual Funds registered with SEBI; • Resident Venture Capital Funds/ Alternative Investment Fund registered with SEBI subject to investment conditions applicable to them under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012; • Insurance Companies registered with IRDA; • State industrial development corporations; • Insurance funds set up and managed by the army, navy, or air force of the Union of India; • Insurance funds set up and managed by the Department of Posts, the Union of India; • Systemically Important Non-Banking Financial Company, a nonbanking financial company registered with the Reserve Bank of India and having a net worth of more than Rs 50,000 lakh as per the last audited financial statements; and • National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India.	• Companies within the meaning of section 2(20) of the Companies Act, 2013; • Statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs; • Co-operative banks and regional rural banks; • Public/private charitable/ religious trusts which are authorised to invest in the NCDs; • Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; • Partnership firms in the name of the partners; • Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); • Association of Persons; and • Any other incorporated and/ or unincorporated body of persons.	• High Net-worth individuals which include Resident Indian individuals or Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs 10 lacs across all series of NCDs in Issue.	• Retail Individual Investors which include Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs 10 lacs across all series of NCDs in Issue.

APPLICATIONS CANNOT BE MADE BY

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

a) Minors without a guardian name*
b) Foreign nationals, NRI *inter-alia* including any NRIs who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA;
c) FIIs;
d) FPIs;
e) Foreign Portfolio Investors;
f) Qualified Foreign Investors;
g) Overseas Corporate Bodies; and
h) Persons ineligible to contract under applicable statutory/regulatory requirements.

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

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SPECIFIC TERMS FOR EACH SERIES OF NCDs

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

**The Company shall allocate and allot Series I NCDs wherein the Applicants have not indicated their choice of the relevant NCD Series.*
If the Deemed Date of Allotment undergoes a change, the coupon payment dates, redemption dates, redemption amounts and other cash flow workings shall be changed accordingly.

MODES OF MAKING APPLICATIONS

Mode of Submission of Application Forms	To whom the Application Form has to be submitted
ASBA Applications	i. to the Members of the Syndicate only at the Syndicate ASBA Application Locations; or ii. to the Designated Branches of the SCSBs where the ASBA Account is maintained; or iii. to Trading Members only at the Syndicate ASBA Application Locations

ALLOCATION RATIO

QIB Portion	Corporate Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
20% of the Tranche I Issue Limit	20% of the Tranche I Issue Limit	30% of the Tranche I Issue Limit	30% of the Tranche I Issue Limit

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Key Operational and Financial Parameters (on consolidated basis, unless mentioned otherwise):

(Rs in Crores)

Parameters	Half year ended 30 September 2018*	Financial year 2018	Financial year 2017	Financial year 2016
Shareholder's Fund	9,979.79	9,915.21	6,960.16	6,469.40
Total Borrowing	46,495.70	47,310.20	40,811.05	34,043.69
of which – Long Term Borrowing	27,073.06	28,894.98	24,984.92	20,341.21
Short Term Borrowing	9,043.66	7,771.87	7,217.63	5,217.53
Current Maturities of Long Term Borrowing	10,378.98	10,643.36	8,608.50	8,484.96
Fixed Assets	115.66	152.39	134.53	129.07
Non Current Assets (excluding fixed assets)	31,733.27	36,540.87	29,843.22	24,250.25
Cash and Bank balances	224.25	485.38	603.88	605.94
Current Investments	949.77	411.61	592.40	546.70
Current Assets (excluding cash and bank balances and current investments)	26,450.02	25,948.22	22,232.55	19,474.88
Current Liabilities (excluding current maturities of long term debt and short term borrowing)	2,512.73	4,794.58	2,767.99	1,932.56
Assets Under Management	59,472.97	64,271.82	54,196.88	46,360.63
Off Balance Sheet Assets	0.00	733.35	790.31	1,353.79
Interest Income	3,995.50	7,772.74	6,550.29	5,939.03
Finance Cost	1,785.42	3,400.38	3,160.75	2,842.05
Provisioning & Write-offs	524.95	1,327.35	1,389.55	1,098.19
PAT	650.44	1,023.91	511.64	772.29
Gross NPA (%)**	9.00%	7.40%	9.00%	8.00%
Net NPA (%)**	6.00%	3.80%	3.60%	3.20%
Tier I Capital Adequacy Ratio (%)^^	15.00%	16.10%	12.80%	14.60%
Tier II Capital Adequacy Ratio (%)^^	5.20%	5.90%	4.40%	2.70%

**Half yearly ratios on standalone basis (Ind AS)*
***Ratios on standalone basis*
^^Ratios on standalone basis computed based on Indian GAAP

Gross Debt Equity Ratio of the Company

Prior to the Issue (as of September 30, 2018)	4.66
Post-Issue*	5.66

** Any change in total debt and net worth after September 30, 2018 has not been considered.*
The debt to equity ratio post the Issue (assuming subscription of ₹ 10,000 crores) would be 5.66 times, The actual debt equity ratio post the Issue would depend upon the actual position of debt and equity on the date of allotment.

Source: Shelf Prospectus and Tranche I Prospectus dated 21st December 2018
Disclaimer: Invest only after referring to the final prospectus

DISCLAIMER:

'The investors shall invest only on the basis of information contained in the final prospectus'

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