

Mahindra & Mahindra Financial Services Limited

CMP : Rs 512.00

July 27 ,2018

Loan growth accelerates to 21%

Mahindra and Mahindra Financial Services (MMFSL), on a standalone basis, has reported 34% jump in the net profit to Rs 269.05 crore in the quarter ended June 2018 (Q1FY2019), driven by strong growth in net interest income and improvement in cost-to-income ratio. The company has also sharply accelerated loan growth to 21% at Rs 58711 crore end June 2018, driven by 35% surge in the disbursements. The company has further improved gross spreads, while credit cost increased in Q1FY2019. The asset quality was stable in Q1FY2019.

The Company has adopted Ind AS from 1 April 2018 with effective transition date of 1 April 2017 and accordingly, these financial results together with the results for the comparative reporting period have been prepared in accordance with the recognition and measurement principles as laid down in Ind AS. The transition to Ind AS had a positive 2.1% impact on book value of the company. The net profit has been higher under Ind AS at Rs 269.1 crore in Q1FY2019 (compared with Rs 193.6 crore under I-GAAP), Rs 201.4 crore in Q1FY2018 (Rs 47.4 crore) and Rs 1076.1 crore in FY2018 (Rs 891.9 crore).

The credit cost for the company increased to 510 bps (annualized) in Q1FY2019 compared with 377 bps in the corresponding quarter last year. The gross spreads of the company improved to 7.6% in Q1FY2019 compared with 7.1% in the corresponding quarter last year and 6.3% in the preceding last quarter.

Income from Operations increased 29% to Rs 1925.84 crore during the quarter ended June 2018, compared to the corresponding previous year quarter. Other Income moved up 30% to Rs 13.84 crore. The total Income moved up 29% to Rs 1939.68 crore, while interest expenses increased 12% to Rs 848.76 crore in the quarter ended June 2018.

The staff cost moved up 34% to Rs 263.44 crore, while other operating expenses declined 10% to Rs 108.17 crore. The ensuing operating profit improved 65% to Rs 719.31 crore in the quarter ended June 2018.

Depreciation increased 20% to Rs 13.27 crore during the quarter under review. Provisions & write-off jumped 132% to Rs 293.84 crore. The profit before tax increased 38% to Rs 412.2 crore. An effective tax rate was higher at 34.7%, the net profit increased 34% to Rs 269.05 crore in the quarter ended June 2018.

AUM of the company increased at accelerated pace of 21% to Rs 58711 crore at end June 2018. On standalone basis, AUM increased 23% to Rs 55390 crore end June 2018. The disbursement of Mahindra Finance has posted healthy growth of 35% to Rs 10339 crore in the quarter ended June 2018.

The company has added 7 branches in Q1FY2019, raising the branch count to 1291 branches end June 2018. The customer base of the company has increased to 5.51 million end June 2018.

Asset Quality

The company has considered all loan accounts with an ageing of above 90 days under Stage 3 (Impaired assets). The Gross Stage 3 levels have gone down to 9.4% for the quarter ended June 2018, from 14.5% during the corresponding quarter last year. The Net Stage 3 levels have gone down to 6.3% for the quarter ended June 30, 2018, from 9.3% during the corresponding quarter last year. The Stage 3 provisioning coverage ratio stood at 35.1%.

Mahindra Insurance Brokers (MIBL)

The total income of the company increased 34% to Rs 67 crore in Q1FY2019 from Rs 50 crore. The Pat increased 11% to Rs 14.8 crore in Q1FY2019 as against Rs 13.4 crore in Q1FY2018.

Mahindra Rural Housing Finance (MRHFL)

During the quarter ended June 2018, MRHFL registered Income at Rs 301.98 crore as against Rs 219.49 crore, registering a growth of 38% over the same period previous year. The Profit After Tax (PAT) registered was Rs 30.88 crore as against Rs 31.28 crore,

INDEX DETAILS

SENSEX	37336.85
NIFTY (S&P CNX)	11278.35

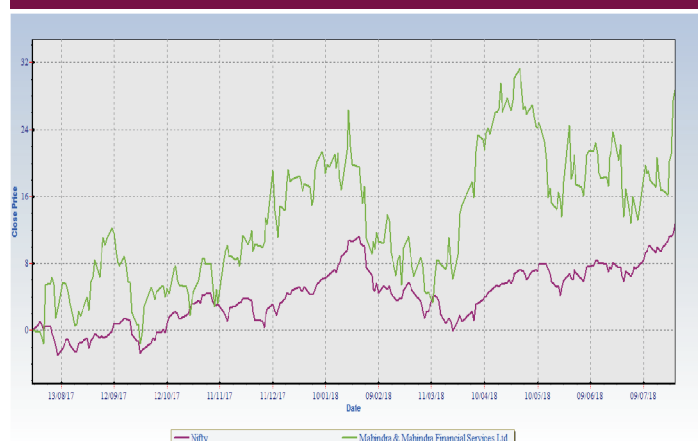
SCRIP DETAILS

Industry	Finance (including NBFCs)
Mkt Cap (Rs in Crore)	31950.80
Book Value (Rs)	150.60
Free Float (%)	48.81
Avg Vol Weekly (NSE)	3164844
52 Week H/L (NSE)	537.50 / 386.00
Dividend Yield (%)	0.77
BSE Code	532720
NSE Code	M&MFIN

SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	51.19	51.19
FIIs	28.10	29.42
DIIIs	12.24	11.38
Others	8.47	8.01
Totals	100	100

Price Comparison with Sensex



registering a de-growth of 1% over the same period previous year. The Total Assets Under Management (AUM) stood at Rs 7168.15 crore as against Rs 5357.66 crore, registering a growth of 34% over the same period previous year.

Mahindra Asset Management Company (MAMCPL)

During the quarter ended June 2018, MAMCPL registered Income at Rs 9.41 crore as against Rs 4.10 crore, registering a growth of 130% over the same period previous year. The company incurred a loss of Rs 6.23 crore as against loss of Rs 11.18 crore in the corresponding period year. The Average Assets Under Management (AUM) for June 2018 was Rs 3980 crore, across six schemes as against Rs 2196 crore for June 2017, registering a growth of 81% over the same period previous year.

Book value of the company stood at Rs 160.1 per share on a standalone basis at end June 2018. Adjusted book value (net of net Stage 3 loans) stood at Rs 101.9 per share on standalone basis at end June 2018.

Mahindra and Mahindra Financial Services: Standalone Financial Results

Particulars	Q1FY19	Q1FY17	Var %
Income from operations	1925.84	1498.02	29
Other Income	13.84	10.68	30
Total Income	1939.68	1508.7	29
Interest Expenses	848.76	755.3	12
Operating Expense	371.61	316.38	17
Gross Profits	719.31	437.02	65
Depreciation / Amortization	13.27	11.06	20
Profit before tax and Provisions	706.04	425.96	66
Provisions and write off	293.84	126.89	132
Profit before tax	412.2	299.07	38
Tax Expense	143.15	97.7	47
PAT	269.05	201.37	34
EPS*	17.42	13.04	

NOTES

DISCLAIMER

This Document has been prepared by **Capital Market Publishers India Pvt. Ltd.** (the company) and is being distributed in India by **Shriram Insight Share Brokers Limited.** (hereinafter referred to as "SISBL"). This document is not, and should not be construed, as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, without prior permission from the Company. SISBL does not guarantee that the document is complete or accurate and it should not be relied on as such. Investors should make his/her own research, analysis and investigation as he/she deems fit and reliable to come at an independent evaluation of an investment (including the merits, demerits and risks involved), and should further take opinion of their own consultants, advisors to determine the advantages and risks of investment. SISBL, its affiliates, group companies, directors, employees, agents or representatives shall not be held responsible, liable for any kind of consequential damages whether direct, indirect, special or consequential including but not limited to lost revenue, lost profits, notional losses that may arise from or in connection with the use of the information in the document.

Shriram insight Share Brokers Limited.

SEBI Reg. No. : NSE-CM [INB 230947033] | BSE-CM [INB 010947035] | NSE-F&O [INF 230947033] | NSE_CDS [INE231348633]

Main Office : Ck-15, Sector-II, Salt Lake City, Kolkata-700091.