

DELIVERING GROWTH IN TURBULENT TIMES

ANNUAL REPORT 2009



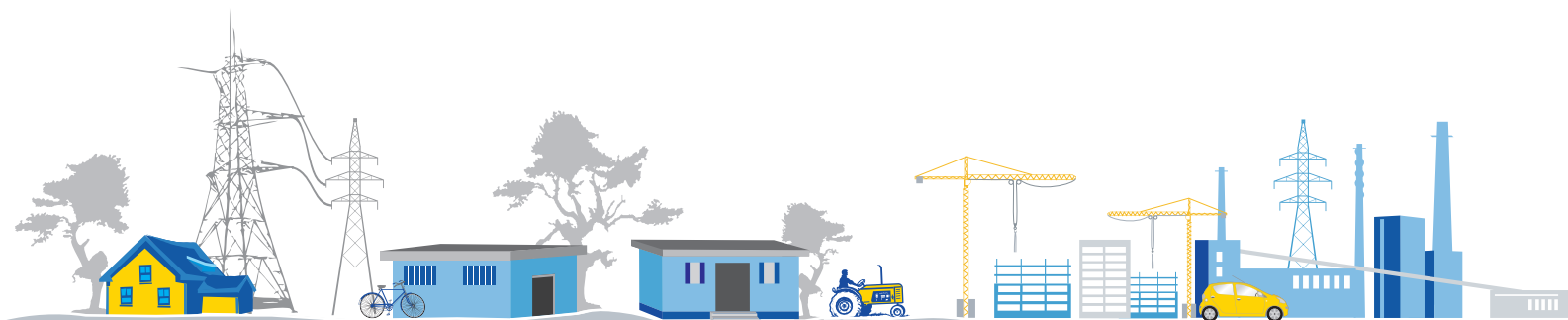
BROADENING OUR PERCEPTIONS LED
US TO EXPANDING HORIZONS,
BRINGING NEWER OPPORTUNITIES
WITHIN OUR PERSPECTIVE, AND
WE GREW IN NICHE RURAL SPACES
DESPITE TURBULENT TIMES.



DELIVERING GROWTH IN TURBULENT TIMES

Mahindra Finance salutes the spirit of Rural India. We are partners in progress, always together, amidst turbulence and growth alike- Mahindra Finance and Rural India. Untouched by the vicissitudes of the financial world, and unfazed by the downturn, rural India is a market of choice in turbulent times. Piercing this vast expanse, Mahindra Finance has anchored its growth in rural finance. Today, we are surging ahead with equanimity.

UNTOUCHED BY THE
VICISSITUDES OF THE FINANCIAL
WORLD, AND UNFAZED BY THE
DOWNTURN, RURAL INDIA IS
**A MARKET OF CHOICE IN
TURBULENT TIMES.**



AT A GLANCE

Mahindra Finance a subsidiary of Mahindra & Mahindra Ltd., is a leading Non-Banking Finance Company catering to the financing needs of the vast populace residing in the rural and semi-urban areas of India. By closely aligning itself to the rural & semi-urban customer's needs and expectations, Mahindra Finance has captured a big chunk of this market, via nationwide distribution network, for providing a range of retail products and services such as financing the Utility Vehicles for personal and commercial use, tractors, cars and so on. On perceiving demand in niche segments, we have come up with Mutual Fund Distribution, Insurance Broking, Housing Finance and Fixed Deposit Schemes. Having placed ourselves between the organized banking sector and local money lender in rural India, we have struck strong bonds of growth with Rural India. We continue to deliver on our commitments.

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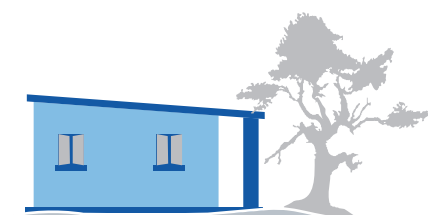
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OUR ASPIRATION

Our goal is to become the preferred provider of financial services, across the rural and semi-urban areas of India.

OUR VISION

OUR VISION IS TO BE THE LEADING RURAL FINANCE COMPANY AND CONTINUE TO RETAIN THE LEADERSHIP POSITION FOR MAHINDRA PRODUCTS



PLAN OF OPERATION

Our strategy is to provide a range of financial products and services to our customers, through our nationwide distribution network. We seek to position ourselves between the organised banking sector and local money lenders, offering our customers competitive, flexible and speedy lending services.

THE SCOPE OF OUR SERVICES

Asset Finance

Our core business is to provide loans for utility vehicles, tractors, commercial vehicles, construction equipment and cars. We provide loans for new and pre-owned vehicles.

Personal Loans

We provide personal loans for consumer durables, furniture, wedding, education, medical treatment, working capital for agriculture and the like.

Mutual Fund Distribution

We offer Investment Advisory Services for Mutual Fund Products, through our AMFI certified professionals under the brand "Finsmart."

Insurance Broking

We provide insurance solutions to retail customers and corporations.

Housing Finance

We provide loans to rural India for construction, renovation and extension of houses.

Fixed Deposits

Enhancing our product portfolio recently, we have introduced Fixed Deposit Schemes at attractive rates of interest.



BUSINESS HIGHLIGHTS

AT A STEADY PACE, WE HAVE MOVED FROM STRENGTH TO STRENGTH, MAKING A STATEMENT OF OUR PRESENCE WITH GOOD PERFORMANCE. OUR POSITION OF LEADERSHIP FOLLOWED US NATURALLY & UNASSUMINGLY, EVERYWHERE.

THE LEAP

Our scrip on The Bombay Stock Exchange Ltd. moved from "B" to "A" group.

NEW BENCHMARKS

Our Profit Before Tax crossed Rs. 3 billion & Profit After Tax crossed Rs. 2 billion mark.

IN THE FOOTSTEPS

Our subsidiary, Mahindra Insurance Brokers Ltd. crossed Rs. 10 crore Profit Before Tax mark.

THE RE-LAUNCH

We re-launched the Fixed Deposit Scheme.

SUPPORT EQUITY

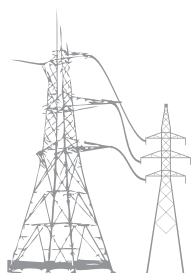
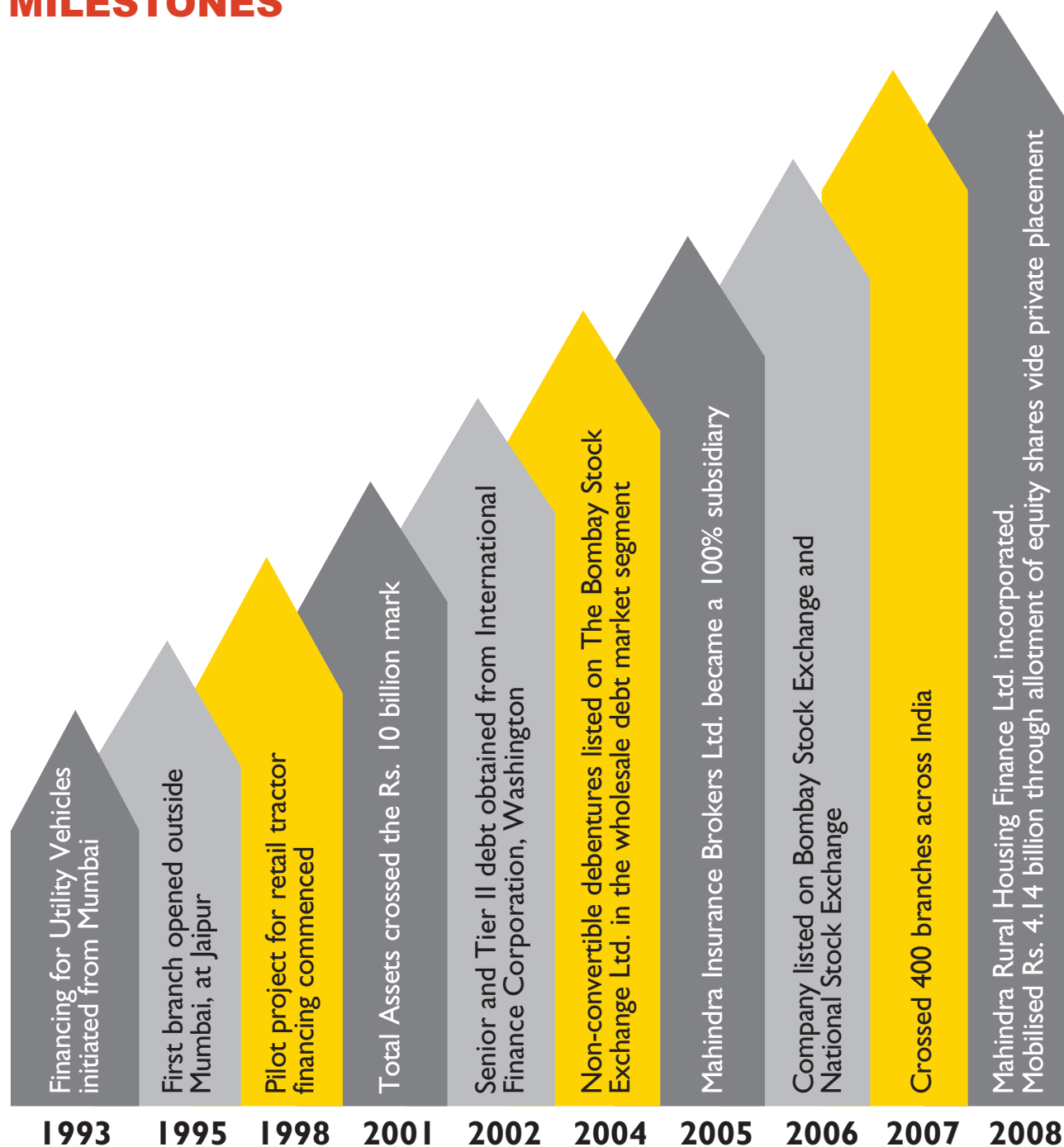
Our subsidiary, Mahindra Rural Housing Finance Ltd. secured equity participation from National Housing Bank.

EXCELLENCE RECOGNISED

We received "Amity HR Excellence Award for Retention" by Amity International Business School, Noida. Also felicitated by IDG India's CIO Magazine in the 3rd Annual CIO 100 Awards.



MILESTONES



CORPORATE INFORMATION

DIRECTORS

Bharat Doshi - **Chairman**
 Uday Y. Phadke - **Vice Chairman**
 Anjanikumar Choudhari
 Dhananjay Mungale
 M. G. Bhide
 Piyush Mankad
 Rama Bijapurkar
 Ramesh Iyer - **Managing Director**

CHIEF FINANCIAL OFFICER

V. Ravi

COMPANY SECRETARY

Arnavaz M. Pardiwala

REGISTERED OFFICE

Gateway Building,
 Apollo Bunder, Mumbai – 400 001.

CORPORATE OFFICE

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

COMMITTEES OF THE BOARD

Audit Committee

Dhananjay Mungale - **Chairman**
 M. G. Bhide
 Anjanikumar Choudhari
 Rama Bijapurkar

Remuneration / Compensation Committee

Piyush Mankad - **Chairman**
 Bharat Doshi
 Dhananjay Mungale
 Uday Y. Phadke
 M. G. Bhide

Share Transfer and Shareholders / Investors Grievance Committee

Uday Y. Phadke - **Chairman**
 Dhananjay Mungale
 Anjanikumar Choudhari
 Ramesh Iyer

Asset Liability Committee

Dhananjay Mungale - **Chairman**
 Uday Y. Phadke

Risk Management Committee

Dhananjay Mungale
 M. G. Bhide
 Anjanikumar Choudhari
 Rama Bijapurkar

Nomination Committee

Piyush Mankad
 Bharat Doshi
 Dhananjay Mungale
 Uday Y. Phadke
 M. G. Bhide

AUDITORS

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

SOLICITORS

Khaitan & Co.
 Meher Chambers,
 R. K. Marg,
 Ballard Estate,
 Mumbai – 400 038.

REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
 Plot No. 17-24,
 Vittalrao Nagar, Madhapur,
 Hyderabad – 500 081.

BANKERS

ABN Amro Bank N.V.
 Axis Bank Ltd.
 Bank of America
 Bank of Baroda
 Bank of India
 Barclays Bank PLC
 BNP Paribas Ltd.
 Calyon Bank
 Canara Bank
 Chinatrust Commercial Bank
 Citibank NA.
 Corporation Bank
 DBS Bank Ltd.
 Dena Bank
 Deutsche Bank AG
 Development Credit Bank Ltd.
 HDFC Bank Ltd.
 HSBC Ltd.
 ICICI Bank Ltd.
 IDBI Bank Ltd.
 IndusInd Bank Ltd.
 ING Vysya Bank Ltd.
 Kotak Mahindra Bank Ltd.
 Punjab National Bank
 Standard Chartered Bank
 State Bank of India
 The Bank of Novascotia
 The Dhanlakshmi Bank Ltd.
 The Jammu & Kashmir Bank Ltd.
 Union Bank of India
 Yes Bank Ltd.

The world we live in today wasn't shaped by conventional thinking. Whether it was using a round object as a wheel or converting a grain of sand to power the technology of the future. Every leap in human evolution is a consequence of our ability to rethink the regular. Alternative Thinking is the fountainhead of progress, leadership and successful businesses.

Reduce • Reuse • Recycle • Renew • Regenerate • Replenish

RETHINK

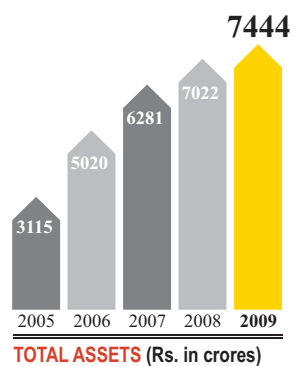
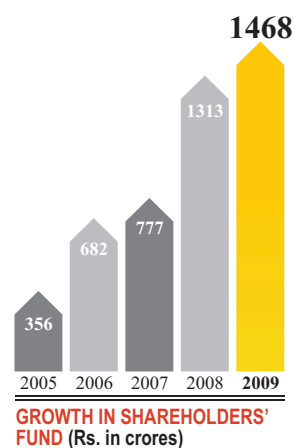
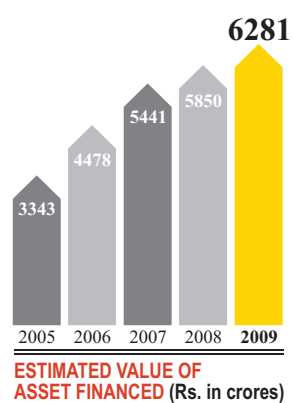
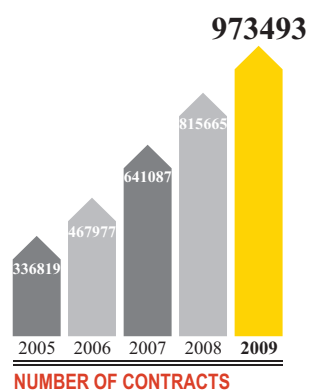
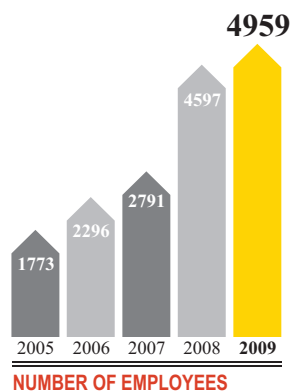
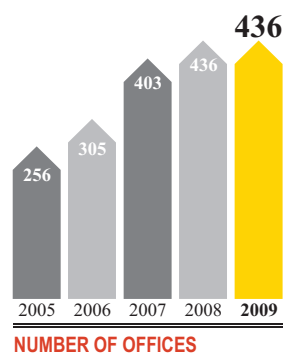
At Mahindra we have embraced Alternative Thinking as a philosophy to ensure a sustainable business in step with pressing societal and environmental needs. We have been actively seeking and implementing alternative solutions that are inclusive, responsible and propel us forward. Be it providing access to finance in rural and semi-urban areas, supporting alternative routes that make healthcare accessible, creating an alternative reality for the girl child and investing 1% of our PAT on a continuous basis in socially responsible activities, our involvement is pervasive across the economic, environmental and social domains.

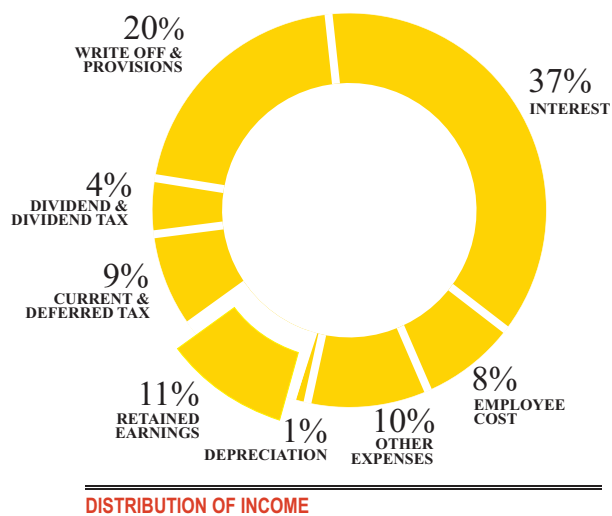
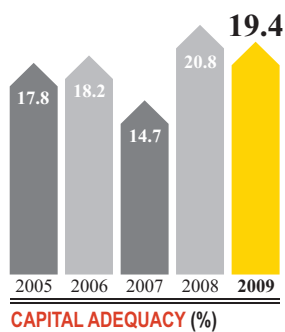
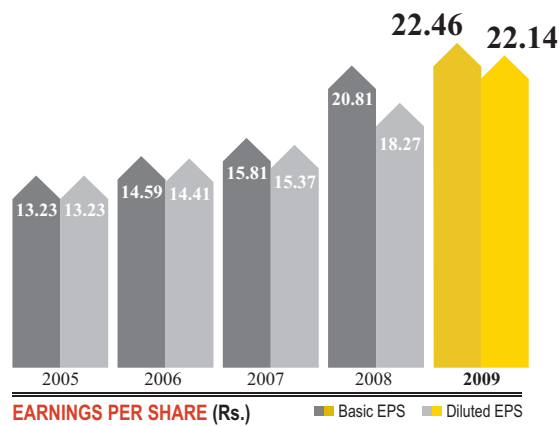
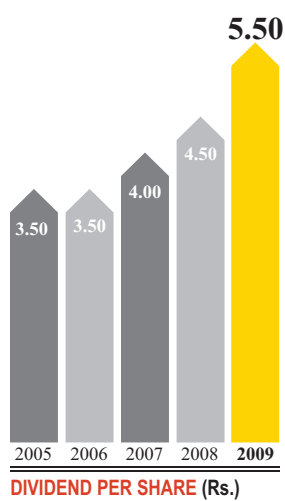
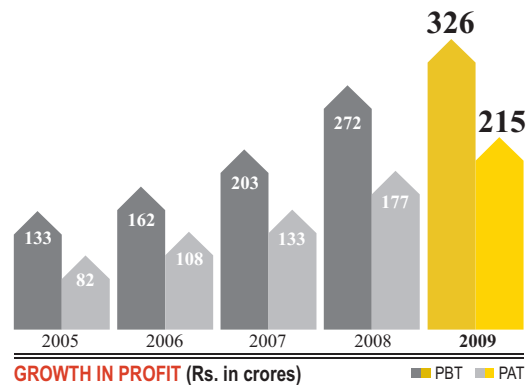
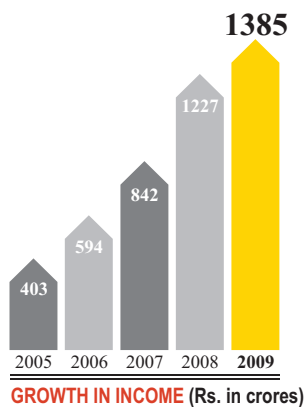


alternative
THINKING
THE MAHINDRA APPROACH TO SUSTAINABILITY

To know more about how Mahindra is pioneering a future that runs on alternative thinking, visit www.mahindra.com/sustainability

FINANCIAL HIGHLIGHTS





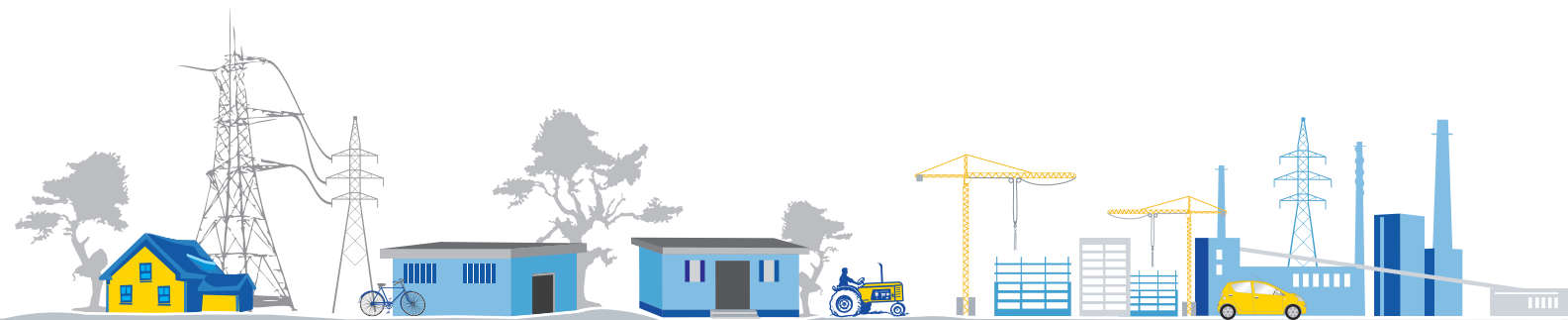




CARING FOR OUR PEOPLE

OUR GENUINE SPIRIT
AND THE WARMTH OF
CARING OVERWHELMS ALL
OUR CUSTOMERS,
STAKEHOLDERS AND
EMPLOYEES ALIKE.

Our people comprise our world of existence. With a strong people-centric mindset, every link in the entire human chain of Mahindra Finance is cared for, nurtured and strengthened. After all, we are as strong as the weakest link. With the bonding so strong, we are buoyant in the face of challenges and together we conquer the world. Anchoring our business growth in our people, we offer a steady keel to them even in such turbulent times. Our genuine spirit and the warmth of caring overwhelms all our customers, stakeholders and employees alike. We carry them along, through the crests and troughs of choppy waters, to safe harbours.



CONNECTING TO RURAL CUSTOMERS



BONDING WITH THE
RURAL CUSTOMER, FORAYING
INTO HIS MIND-SPACE AND
UNDERSTANDING FINANCIAL
FULFILLMENT HIS WAY,
ARE OPENING THE
DOORWAYS TO RURAL
MARKETS FOR US.

Rural India is an ocean of humanity and Mahindra Finance has dived into it deep and far. Surging with needs, desires and aspirations, the rural masses of India propel the business of Mahindra Finance. Bonding with the rural customer, foraying into his mind-space and understanding financial fulfillment his way, are opening the doorways to rural markets for us. We reach out to be within reach - through employees with the local connect. Counselling and partnering with our rural customer upto the last mile - we connect to remain connected.









CULTIVATING TRUST WITH PASSION AND PATIENCE

NURTURING IT AS A COCOON
HOUSING GOOD RETURNS,
PERSEVERING TO LEARN
ITS NUANCES, WE ARE
FOSTERING RURAL INDIA,
BY FULFILLING ITS
FINANCIAL NEEDS.

Sensing Rural India to be an untainted, alluring market amidst all financial conundrum worldwide, Mahindra Finance has burrowed into this big niche. Nurturing it as a cocoon housing good returns, persevering to learn its nuances, we are fostering rural India, by fulfilling its financial needs. With an enduring passion for providing financing options to rural India, we are reaping steady returns by winning its trust.





HOUSING DREAMS CLOSER TO REALITY

WE CONTINUE TO HOUSE
RURAL INDIA'S DREAM
OF BETTER LIVING
CLOSE TO OUR HEART.
WITH MAHINDRA RURAL
HOUSING FINANCE LTD.,
RURAL INDIA CAN
REALIZE ITS DREAMS.

Deepening its emotional connect with rural India, Mahindra Finance through its subsidiary, Mahindra Rural Housing Finance Ltd., has fulfilled many a dream of better housing. We continue to house rural India's dream of better living close to our heart. By lending financial muscle to rural Indians for upgrading housing, Mahindra Finance is transforming lives. With a strong voice for financial inclusion, obliterating boundaries between dreams and reality is our endeavour. And we share this pride as we partner with rural India in enlivening lives and happy homes. With Mahindra Rural Housing Finance Ltd., rural India can realize its dreams.





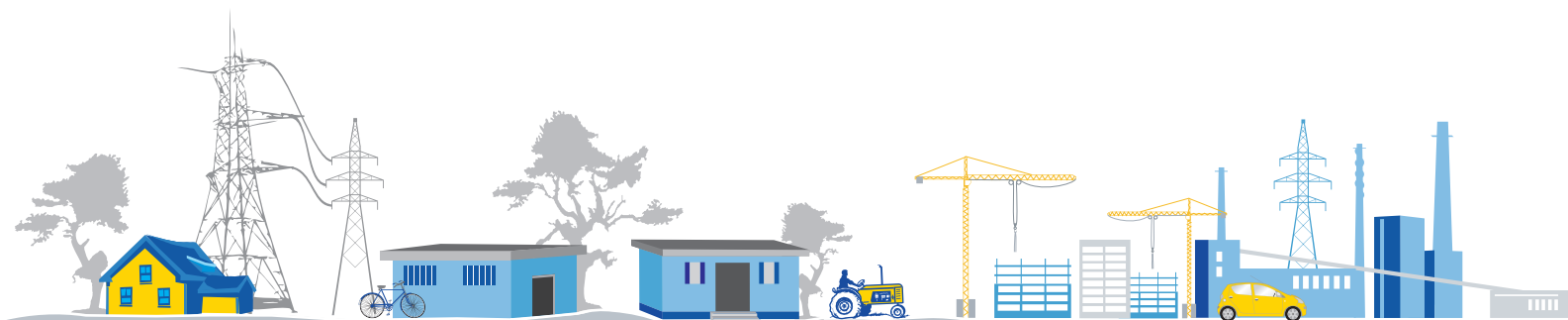


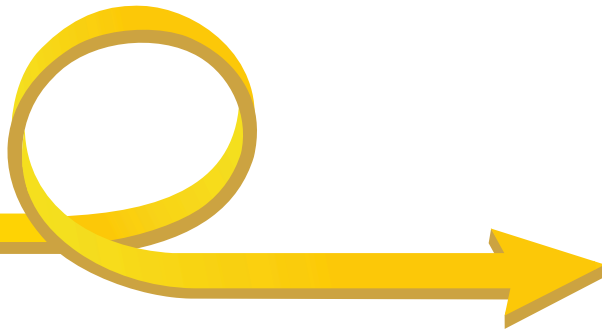


TOUCHING LIVES WITH INSURANCE

TAKING THE ONUS OF OFFERING
INSURANCE SOLUTIONS,
MAHINDRA INSURANCE
BROKERS LTD. MAKES PEOPLE
AND ASSETS IN RURAL INDIA
SECURE IN THE FACE OF
UNFORESEEN CIRCUMSTANCES.

With their eyes, we saw. With their perspective, we thought. With their courage, we acted - to touch reality and bring within reach of rural Indians - financial solutions and security. Taking the onus of offering insurance solutions Mahindra Finance through its subsidiary, Mahindra Insurance Brokers Ltd., makes people and assets in rural India secure in the face of unforeseen circumstances. This has opened up opportunities for us with an early mover advantage. Our foray into rural market could be the chrysalis of many rural lives in India.





TRIGGERING **MULTIPLIER EFFECT**

RIPPLES OF OUR FINANCIAL
ACTIVITY HAVE BENEFITTED
PEOPLE FAR AND WIDE, BEYOND
THE IMMEDIATE
MAHINDRA FINANCE
CUSTOMER, FOR MORE
THAN A DECADE.

Mahindra Finance is sowing seeds of growth in a much larger sphere. Ripples of our financial activity have benefitted people far and wide, beyond the immediate Mahindra Finance customer, for more than a decade. This has brought better agricultural returns, better housing, better means of transportation and improved livelihood to a large rural populace. Creating such multiplier effect has contributed to the rapid growth of rural India as well as the growth of Mahindra Finance.





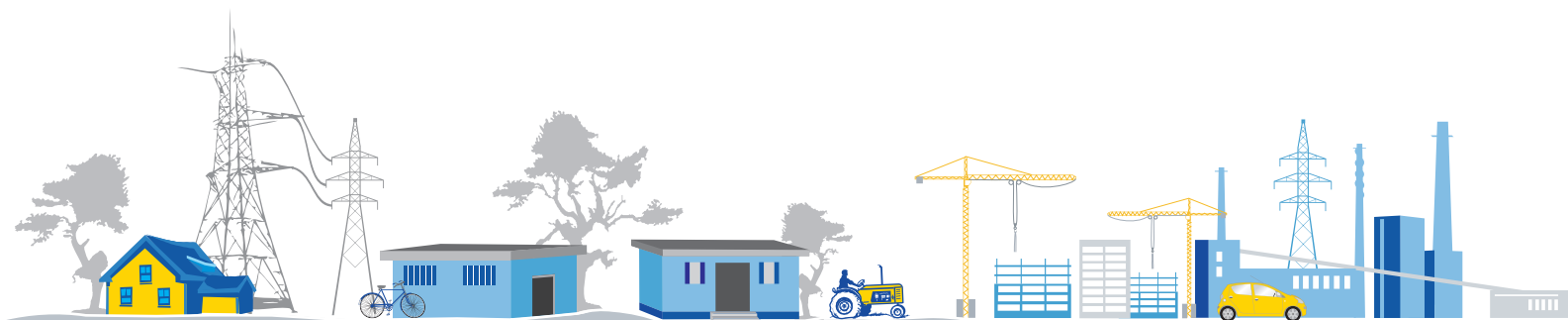




BONDING WITH HEART AND HEARTH

EARNING THE GOODWILL OF
THE ENTIRE NATION AND
TAKING HUMAN LIVES
TO A HIGHER PLANE OF
EXISTENCE IS AT THE CORE OF
OUR ENDLESS STRIVING.

With a yearning to get connected to the heart and hearth of the nation, Mahindra Finance has always worn the mantle of a responsible corporate citizen. Making a positive difference in the lives of people residing in the remotest parts of India, Mahindra Finance has supported a hospital on rail - Mahindra Lifeline Express, to provide free on-the-spot diagnostic, medical and surgical treatment. Promoting the rights of the girl child, we have sponsored girls' education under the "Nanhi Kali" programme. Conscious of sustaining the clean and green environment, Mahindra Finance conducted "Mahindra Hariyali" tree plantation programme. Earning the goodwill of the entire nation and taking human lives to a higher plane of existence is at the core of our endless striving.



SUMMARY OF RESULTS

(Rupees in lacs unless indicated otherwise)

Sr. No.	Particulars	F-2009	F-2008	F-2007	F-2006	F-2005	F-2004	F-2003	F-2002	F-2001	F-2000
1	Estimated Value of Asset Financed	628122	584972	544094	447791	334336	230270	160985	116675	100197	75748
2	Contracts (Nos.)	973493	815665	641087	467977	336819	234677	161079	111327	76663	52579
3	Total Assets	744387	702181	628089	502011	311465	203323	145601	107451	93427	73194
4	Total Income	138466	122680	84184	59384	40314	29970	24507	19095	13839	11849
5	Profit before depreciation & tax	33305	27951	20932	16654	13631	10647	8022	5529	3837	3377
6	Depreciation	742	752	658	439	350	460	847	1187	1790	2031
7	Profit before tax	32563	27199	20274	16215	13281	10187	7175	4342	2047	1346
8	Profit after tax	21452	17702	13288	10827	8228	6762	4435	2772	961	541
9	Dividend %	55	45	40	35	35	28	20	10	8	6
10	Equity Share Capital	9571	9529	8402	8331	7016	6062	6062	6062	6062	6062
11	Reserves & Surplus	137216	121762	69293	59868	28542	19111	14263	11118	7804	7377
12	Net Worth	146787	131291	77695	68200	35557	25173	20290	17122	13863	13429
13	Employees (Nos.)	4959	4597	2791	2296	1773	1115	805	551	460	340
14	Offices (Nos.)	436	436	403	305	256	224	196	151	128	115
15	Earnings Per Share - Basic (Rs.)	22.46	20.81	15.81	14.59	13.23	11.15	7.32	4.57	1.59	1.25
16	Earnings Per Share - Diluted (Rs.)	22.14	18.27	15.37	14.41	13.23	11.15	7.32	4.57	1.59	1.25

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present their Nineteenth Report together with the audited accounts of your Company for the year ended 31st March, 2009. The summarized financial results of the Company are given below:

	Rs. in crores	
	March 2009	March 2008
FINANCIAL RESULTS		
Total Income	1384.7	1226.8
Less: Finance costs	509.9	456.0
Expenditure	540.5	490.1
Depreciation / Amortisation	8.7	8.7
Total Expenses	1059.1	954.8
Profit Before Tax	325.6	272.0
Less: Provision for tax		
Current tax	161.5	143.2
Deferred tax	(53.3)	(50.9)
Fringe benefit tax (including wealth tax)	2.9	2.7
Profit after tax for the year	214.5	177.0
Add : Amount brought forward from previous years	268.0	195.1
Amount available for Appropriation	482.5	372.1
Appropriations:		
General Reserve	21.5	17.7
Statutory Reserve	42.9	35.4
Proposed dividend on equity shares	53.3	43.6
Income-tax on proposed dividend	9.0	7.4
Surplus carried to Balance Sheet	355.8	268.0
	482.5	372.1

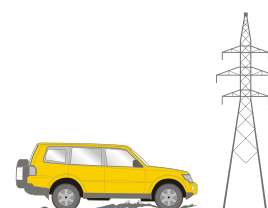
DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.5.50 per Equity Share, payable to those members whose names appear in the Register of Members as on the Book Closure date. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 62.3 crores (as against Rs. 51.0 crores on account of dividend of Rs.4.50 per Equity Share, paid for the previous year).

OPERATIONS

Your Company continues to be the largest retail financier for Mahindra range of vehicles and tractors in addition to financing of cars and pre-used vehicles. During the year under review, your Company continued to maintain its market position in rural and semi-urban automobile financing. Your Company also provides finance for Commercial Vehicles and Construction Equipment and has the largest network of branches amongst NBFCs operating in these areas. Nationwide network of branches and locally recruited employees have facilitated in developing and maintaining customer relationships.

The third quarter of the Financial Year 2008-09 experienced a severe liquidity crunch owing to the Global Financial crisis. In order to ensure that all the liabilities were discharged without any default, the Company reduced its disbursements. Taking full advantage of the wide branch network spread across semi-urban and rural markets coupled with encouraging cash flow from the rural centres, the Company was able to reduce the impact of the pressure of economic meltdown witnessed in this quarter.





DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

In spite of the financial crunch during the third quarter, the Company's disbursement and collection, both were very encouraging in the last quarter of the Financial Year and the Company was able to tie-up funds required to meet its business demands at a competitive price. The overall disbursement registered a growth of 7.4 per cent at Rs. 6,281.2 crores as compared to Rs. 5,849.7 crores in the previous year.

The number of contracts entered into by the Company during the year was 1,57,828 as against 1,74,578 in the previous year.

Income grew by 12.9 per cent to Rs. 1,384.7 crores for the year ended 31st March, 2009 as compared to Rs. 1,226.8 crores during the previous year. Profit before tax was also 19.7 per cent higher at Rs. 325.6 crores as compared to Rs. 272.0 crores during the previous year. Profit after tax also grew at a healthy rate of 21.2 per cent to Rs. 214.5 crores as compared to Rs. 177.0 crores in 2007-08.

DISTRIBUTION OF MUTUAL FUND PRODUCTS

During the year under review, the activity of distribution of Mutual Fund Products (MFP) was carried out across 20 branches covering 11 States. Presently, the distribution of MFP is operated through 2,150 brokers.

The Company earned a brokerage income of Rs. 1.9 crores during the year under review as compared to Rs. 2.6 crores during the previous year.

The assets under management, aggregate of institutional and retail segment reached an amount of Rs. 1,232.3 crores and number of clients crossed 37,100.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed discussion on the Company's operations is presented in the chapter on Management Discussion and Analysis, which forms part of this Annual Report.

FINANCE

During first half of the year under review, the Reserve Bank of India (RBI) hiked the Cash Reserve Ratio and Repo rate to contain inflationary pressures. During the period September '08 to December '08 there was a global turmoil in the financial markets followed by a major liquidity crisis. India was also affected by the said liquidity crisis and money market became extremely tight.

Stock Market declined by over 30% and inflows from Foreign Institutional Investors turned negative. Liquidity dried up in both the domestic and international markets resulting in immense pressure on the availability of credit. In spite of the liquidity crisis your Company discharged over Rs. 1,500 crores of liability on the due dates. The Company re-aligned its resourcing plans and tied up almost Rs. 2,100 crores from thirty commercial banks which include nine major new relationships.

Your Company was able to mitigate the increase in interest cost in spite of the financial crisis. Your Company also followed prudent Asset Liability Management policies by continuously monitoring the Asset Liability Management situation.

During the year under review, your Company continued its innovative method of sourcing funds and raising Long Term loans from Banks linked to Benchmark Prime Lending Rate with reset option so as to take advantage of any reduction in interest rate. Your Company sourced long term loans from consortium banks at attractive rates to the extent of Rs. 630 crores against loan portfolio considered as priority sector lending for Banks. Your Company also issued subordinated debt amounting to Rs. 9.8 crores at a very attractive rate. During the year, your Company successfully assigned receivables to the extent of Rs. 1036.2 crores.

Your Company is one of the very few NBFCs to get a 10 year subordinated debt.

During the year under review, your Company further leveraged certain facilities of consortium banks like the Cash Management Services (CMS) / Core Banking Solution (CBS) by covering 37 more branches taking the total coverage of branches under CMS / CBS to 424 thereby saving substantial transfer and interest cost. With this, 95% of the fund collection has been brought under CMS/CBS in the fiscal 2008-09 as against 75% in the previous fiscal.

During the year, your Company has actively participated in a number of international and domestic investor meets organized by reputed International Banks and Financial Services Companies.



DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

Your Company also periodically conducted analysts' meets to communicate performance, exchange information and important developments, if any.

Your Directors are pleased to report that The Bombay Stock Exchange Limited has announced the shifting of your Company's scrip from 'B' group to 'A' group, with effect from 16th February, 2009.

CAPITAL ADEQUACY

As a result of the increased net worth, your Company was able to enhance the Capital to Risk Assets Ratio (CRAR) to 19.4 per cent as on 31st March, 2009 well above 12% CRAR prescribed by the Reserve Bank of India.

EMPLOYEES' STOCK OPTION SCHEME (ESOS)

On the recommendation of the Remuneration/Compensation Committee of your Company, the Trustees of the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust have granted 2,81,137 Stock Options on 18th September, 2008, to eligible employees during the year under review.

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure I to this Report.

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 additional provisioning for Non Performing Assets (NPAs) at a faster rate than that prescribed by RBI for NBFCs.

CREDIT RATING

During the year under review, CRISIL Limited revised its ratings assigned to the Company's Long-term Debt Instruments and Bank Facilities from 'AA+/Negative' to 'AA-/Negative' and the Fixed Deposit Programme from 'FAA+/Negative' to 'FAA/Negative', respectively. The Rating on the Company's Short-term Debt and Bank Loans has been re-affirmed at 'P1+'.

The revised 'AA-/Negative' rating indicates a high degree of safety with regard to timely payment of financial obligations.

Fitch Ratings India Private Limited, has during the year under review, revised the ratings assigned to the Company's National Long-term Rating instrument and Lower Tier II Subordinated Debt programme of Rs. 2 Billion, from 'AA+(ind)' to 'AA(ind)', with the Outlook as stable. The 'AA (ind)' national ratings denote a very strong credit risk relative to other issuers or issues in the country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

FIXED DEPOSITS AND LOANS/ADVANCES

Your Company has launched a Fixed Deposit Scheme and has started accepting Fixed Deposits from the public with effect from 1st January, 2009.

There are no outstanding deposits which have matured and no interest is due on any such deposits. Fixed Deposits outstanding as at 31st March, 2009 were Rs. 72.4 crores. The funds collected will go a long way in the successful fulfillment of your Company's objectives.

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 Clause 32 of the Listing Agreement with the Company, are furnished separately.





DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

SUSTAINABILITY INITIATIVES

The threats of Global Warming and Climate Change have become the defining issues of our era for all humanity. The scientific facts before us are overwhelming and cannot be ignored. How and what we do to address these threats, directly affects the entire spectrum of our life, and only collaborative efforts by Governments, Corporate Bodies and society will enable a solution to this draconian challenge before us.

During the year, your Company has taken certain initiatives in this direction. The first step was creating an awareness on 'Sustainability' amongst employees in the regional offices and head office of the Company. The awareness information has also been included in the Company's induction programme - "Drona" and the Company's internal magazine "Spandan" has been centered on the 'Sustainability' theme.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As a socially responsible citizen, the Mahindra Group continues to contribute to the economic well being of the communities it interacts with and enhances their social well being. The Mahindra Group has incessantly been engaged in activities, which add value to the community around it.

Your Company has always been sensitive of the fact that, since corporations are vital organs of society, corporate interests must address societal concerns and have played an active role in its social responsibilities. As a part of its commitment to Corporate Social Responsibility (CSR) initiatives, your Company during the year continued to involve itself in social welfare activities by contributing to recognised charitable Institutions, which specifically benefit the economically disadvantaged and socially weaker sections of the society.

Your Company organized a Nationwide Blood Donation Drive to commemorate its pledge to the society and successfully collected 1,584 bottles of blood. The 'Lifeline Express' Train has been catering to the medical needs of the people in the rural areas of Guwahati. Three Ambulances were donated to NGOs in Kolkata, Maharashtra and Bangalore. Your Company decided to fight against global warming by conducting a "Tree Plantation" program (Mahindra Hariyali) across India. The Company has planted 35,425 trees across the locations. Your Company has sponsored 201 Nani Kalis, the flagship programme of the K.C. Mahindra Education Trust, which supports the education of the disadvantaged girl child.

In line with the Mahindra Group's CSR initiatives to contribute 1% of its Profit After Tax on a yearly basis, the Company contributed Rs. 79.4 lacs to various institutions for charitable purposes during the year under review.

ACHIEVEMENTS

Your Company has been honoured with the 'Amity HR Excellence Award for Retention' by the Amity International Business School, Noida. These awards aim at recognizing the exemplary leadership qualities of corporate leaders who have steered their companies to achieve new heights of excellence.

During the year, your Company has also been felicitated by IDG India's CIO Magazine in the 3rd Annual CIO 100 Awards. The annual award program recognizes organizations that exemplify the highest level of operational and strategic excellence in information technology (IT).

DIRECTORS

Mr. Anand G. Mahindra resigned as Chairman and Director of the Company with effect from the conclusion of the Board Meeting held on 22nd April, 2008. Mr. Nasser Munjee and Dr. Pawan Kumar Goenka resigned as Directors of the Company with effect from 1st August, 2008 and 20th March, 2009, respectively.

The Board has placed on record its sincere appreciation for the services rendered and guidance received from Mr. Anand G. Mahindra as Chairman and Director of the Company since its formative years and the valuable contribution of Mr. Nasser Munjee and Dr. Pawan Kumar Goenka, as Directors of the Company.

Mr. Bharat Doshi and Mr. Uday Y. Phadke have been appointed as Chairman and Vice-Chairman of the Board of Directors of the Company respectively, with effect from the conclusion of the Board Meeting held on 22nd April, 2008.



DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

Mrs. Rama Bijapurkar was appointed as an Additional Director on the Board of Directors of the Company with effect from 14th June, 2008, vide a circular resolution passed by the Board of Directors. Ms. Rama Bijapurkar held office up to the date of the Annual General Meeting and the shareholders have at their Annual General Meeting held on 23rd July, 2008, approved the appointment of Ms. Rama Bijapurkar as Director of the Company.

Mr. M. G. Bhide and Mr. Uday Y. Phadke, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

A report on Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreement are annexed to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

SUBSIDIARY COMPANIES

Mahindra Insurance Brokers Limited

The year under review represents the fifth year of insurance broking operations of Mahindra Insurance Brokers Limited (MIBL). Consequent to the detariffing of the Non-Life market during 2007-08, MIBL's focus during the year under review was on significantly enhancing the retail customer base in order to minimize the impact of detariffing on broker income.

During the year under review, MIBL reached an important milestone of crossing 2,50,000 policies, with a total of 2,88,453 policies for both Life and Non-Life retail business lines. The customized life insurance cover "Mahindra Loan Suraksha" (MLS) continued to receive a good response and grew by 17.8% from 81,037 lives covered with a Sum Assured of Rs. 1,775.6 crores in the Financial Year 2007-08 to 95,434 lives covered with a Sum Assured of Rs. 2,180.4 crores in the Financial Year 2008-09, with a substantial portion being covered in the rural markets. In the Non-Life retail segment mainly comprising of Motor insurance primarily in the rural market, MIBL achieved a growth of 25.5% from 1,53,831 cases in the Financial Year 2007-08 to 1,93,019 cases in the Financial Year 2008-09.

MIBL achieved a growth of 14.3% in Net Premium generated for the Corporate and Retail business lines, which has increased from Rs. 139.8 crores (Gross Premium Rs. 155.3 crores) in the Financial Year 2007-08 to Rs. 159.8 crores (Gross Premium Rs. 177.0 crores) in the Financial Year 2008-09. The Income increased by 28.3% from Rs. 18.0 crores in the Financial Year 2007-08 to Rs. 23.1 crores in the Financial Year 2008-09. The Profit Before Tax increased by 31.2% from Rs. 7.7 crores to Rs. 10.1 crores, and the Profit After Tax increased by 30.0% from Rs. 5.0 crores to Rs. 6.5 crores during the same period.





DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

Mahindra Rural Housing Finance Limited

The year under review represents the second year of the rural housing finance business of Mahindra Rural Housing Finance Limited (MRHFL). In the second year of its Operations MRHFL has disbursed incremental loans aggregating Rs.43.4 crores (previous year Rs. 3.0 crores), covering over 2,000 families. In spite of the recession, rise in resource cost and intense competition during the year under review, MRHFL registered a growth in disbursements. The outstanding loan portfolio as at 31st March, 2009 stood at Rs. 45.2 crores. The loss after tax for the year ended 31st March, 2009, was Rs. 0.8 crores (previous year Rs. 0.6 crores).

MRHFL has been successful in establishing its presence through the pan-India branch network of your Company during the year under review. MRHFL has expanded its activities in the four Southern States in addition to the States of Gujarat and Maharashtra and has received an encouraging response in the States of Kerala and Tamil Nadu.

The audited statements of accounts for the year ended 31st March, 2009 of the two subsidiaries, MIBL and MRHFL together with Reports of the Directors and Auditors, and a statement pursuant to section 212 of the Companies Act, 1956, are attached.

The Consolidated Financial Statements of the Company and its two subsidiaries, MIBL and MRHFL have been prepared in accordance with Accounting Standard 21 prescribed by The Institute of Chartered Accountants of India and form part of the Annual Report.

AUDITORS

Messrs. B. K. Khare & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 (1B) of the Companies Act, 1956, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants, to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure II to this Report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER

The Company had nine employees who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2009 or not less than Rs.2,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all the Shareholders of the Company excluding the Statement of particulars of employees. Any Shareholder interested in obtaining a copy of the Statement may write to the Company Secretary of the Company.

For and on behalf of the Board

BHARAT DOSHI
Chairman

Mumbai, 22nd April, 2009

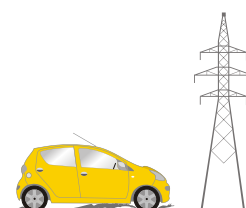


DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999:

a) Options granted	32,94,966			
b) The pricing formula	Grant -1 Granted on 6th December, 2005	Grant -2 Granted on 24th July, 2007	Grant -3 Granted on 25th March, 2008	Grant -4 Granted on 18th September, 2008
	Priced at a discount of Rs.15 on Fair Value of Rs.66 based on the valuation obtained from an independent valuer based on Net Asset Value / Asset Based Method.	At a discount of 5% on the average price preceding the specified date – 24th April, 2007	At a discount of 5% on the average price preceding the specified date- 18th January, 2008	At a discount of 5% on the average price preceding the specified date- 18th September, 2008
	Average Price: Average of the daily high and low of the prices for the Company's equity shares quoted on National Stock Exchange of India Limited during 15 days preceding the specified date.			
	The Specified Date: Date on which the Remuneration / Compensation Committee decided to recommend to the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust (Trust), the grant of Options.			
c) Options vested	18,29,937 Options stand vested on 31st March, 2009.			
d) Options exercised	14,96,884			
e) The total number of shares arising as a result of exercise of option	14,96,884 equity shares of Rs.10 each. These were transferred from the Trust to the eligible employees.			
f) Options lapsed	6,19,943			
g) Variation of terms of options	At the Seventeenth Annual General Meeting of the Company held on 23rd July, 2007, the Mahindra & Mahindra Financial Services Limited - Employees Stock Option Scheme was amended to provide for recovery from the eligible employees, the fringe benefit tax in respect of options which are granted to or vested or exercised by, the eligible employees on or after the 1st day of April, 2007.			
h) Money realized by exercise of options	Rs.7,75,34,524. This amount was received by the Trust.			
i) Total number of options in force	11,78,139			
j) Employee-wise details of options granted to: i) Senior managerial personnel	As per statement attached			



DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil
k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	Rs. 22.14*
l) Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs. 237.37 lacs, profit after tax lower by Rs. 237.37 lacs and the basic and diluted earnings per share would have been lower by Rs. 0.24 and Rs. 0.25 respectively.

DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

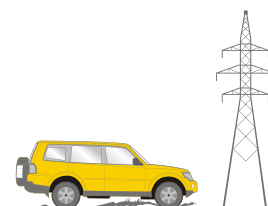
m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	<table><tr><th>Option Grant Date</th><th>Exercise Price (Rs.)</th><th>Fair Value (Rs.)</th></tr><tr><td>18th September, 2008</td><td>233.0</td><td>108.8</td></tr></table>	Option Grant Date	Exercise Price (Rs.)	Fair Value (Rs.)	18th September, 2008	233.0	108.8
Option Grant Date	Exercise Price (Rs.)	Fair Value (Rs.)					
18th September, 2008	233.0	108.8					
n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	The fair value of the stock options granted on 24th July, 2007, 25th March, 2008 and 18th September, 2008, have been calculated using Black-Scholes Options pricing formula and the significant assumptions made in this regard are as follows:						

Sr. No	Particulars	Grant Dated 18th September, 2008
i	risk - free interest rate,	8.2 %
ii	expected life,	4.2Years
iii	expected volatility,	43.7%
iv	expected dividends, and	1.6%
v	The price of the underlying share in market at the time of option grant	Rs.252.4

* Refer Note No. "2" in Schedule "XX" to Annual Accounts of the Annual Report

Statement Attached to Annexure I to the Directors' Report for the year ended 31st March, 2009

Names of Directors and Senior Managerial Persons to whom Stock Options have been granted	Number of Options granted in December, 2005 *	Number of Options granted in July, 2007 **	Number of Options granted in March, 2008 **	Number of Options granted in September, 2008 @
Mr. Bharat N. Doshi	2,00,000	12,135	Nil	14,051
Mr. Uday Y. Phadke	10,000	4,042	Nil	14,051
Mr. Anjanikumar Choudhari	10,000	2,021	Nil	3,513
Dr. Pawan Goenka ^	10,000	2,021	Nil	3,513
Mr. Manohar G. Bhide	10,000	Nil	Nil	Nil
Mr. Dhananjay Mungale	10,000	Nil	Nil	Nil



DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 ST MARCH, 2009

Names of Directors and Senior Managerial Persons to whom Stock Options have been granted	Number of Options granted in December, 2005 *	Number of Options granted in July, 2007 **	Number of Options granted in March, 2008 **	Number of Options granted in September, 2008 @
Mr. Nasser Munjee #	10,000	Nil	Nil	Nil
Mr. Piyush Mankad	10,000	Nil	Nil	Nil
Ms. Rama Bijapurkar \$	N/A	N/A	N/A	10,000
Mr. Ramesh Iyer	1,00,000	19,580	19,106	24,366
Mr. V. Ravi	60,000	11,207	10,846	13,832
Mr. Apurv Verma	40,000	5,530	5,352	9,100
Mr. Rajesh Vasudevan	10,000	3,326	3,665	4,674
Mr. Dinesh Prajapati	12,000	3,876	4,292	5,473
Mr. Rajesh Joshi	12,000	2,754	2,168	2,765
Mr. Suresh Shanmugam	7,500	3,027	3,223	4,110
Mr. Gurdev Mehta	14,000	3,075	3,150	4,017
Mr. Richard Clement	7,500	1,665	1,311	1,671
Mr. H.S. Kamath	7,500	1,628	2,745	3,500
Mr. Rajnish Agarwal	7,000	1,379	1,059	1,801
Mr. R. Balaji	N/A	N/A	N/A	5,408

* 4,38,000 options have been vested till 31 st March, 2009, of which 3,82,125 options have been exercised by some of the eligible employees.

** 46,965 options have been vested till 31 st March, 2009, of which 7,076 options have been exercised by some of the eligible employees.

@ not vested in the current financial year.

^ resigned as Director with effect from 20th March, 2009.

resigned as Director with effect from 1st August, 2008.

\$ appointed as Director with effect from 14th June, 2008.

ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 ST MARCH, 2009

Particulars as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31 st March, 2009.

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Nil

c) Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

These measures are expected to reduce the energy consumption.

d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule:

Not Applicable



DIRECTORS' REPORT TO THE SHAREHOLDERS (contd.)

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Areas in which R & D is carried out	:	None
2. Benefits derived as a result of the above efforts	:	Not Applicable
3. Future plan of action	:	None
4. Expenditure on R & D	:	Nil
5. Technology absorption, adaptation and innovation	:	None
6. Imported Technology for the last 5 years	:	None

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

BHARAT DOSHI
Chairman

Mumbai, 22nd April, 2009

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 Clause 32 of the Listing Agreement with the Company

Loans and advances in the nature of loans to subsidiaries:

Rs. in crores

Name of the Company	Balance as on 31st March, 2009	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	16.0	16.0

Loans and advances in the nature of loans to firms/companies in which Directors are interested:

Rs. in crores

Name of the Company	Balance as on 31st March, 2009	Maximum Outstanding during the year
Mahindra First Choice Wheels Limited	0.0	20.3
Mahindra Holidays and Resorts India Limited	98.4	100.0

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 where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956.





MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

Mahindra & Mahindra Financial Services Limited ('MMFSL', 'Mahindra Finance' or 'the Company') is one of India's leading non-banking financial companies (NBFCs) focused on the rural and semi-urban sectors providing finance for Utility Vehicles (UVs), tractors and cars. The Company is a subsidiary of Mahindra & Mahindra Limited (M&M), a leading tractor and UV manufacturer with over 60 years' experience in the Indian market.

The Company's goal is to be the preferred provider of retail financing services in the rural and semi-urban areas of India, while its strategy is to provide a range of financial products and services to its customers through its nationwide distribution network. The Company seeks to position itself between the organised banking sector and local money lenders, offering its customers competitive, flexible and speedy lending services.

MMFSL principally finances UVs used both for commercial and personal purposes, tractors and cars. While the Company predominantly finances M&M UVs and tractors, it continues to expand its lending to vehicles not manufactured by M&M.

The Indian economy, which was on a robust growth path up to 2007-08, averaging at 8.9 per cent during the period 2003-04 to 2007-08, witnessed moderation in 2008-09, with the deceleration turning out to be somewhat sharper in the third quarter. While the growth deceleration was primarily driven by the knock on effects of the global economic crisis, it also reflected to some extent the slowdown associated with cyclical factors. Industrial growth experienced a significant downturn and the loss of growth momentum was evident in all categories, viz., the basic, capital, intermediate and consumer goods. A hitherto key growth driver, services sector, witnessed some moderation notwithstanding a counter-cyclical rise in the growth of community, social and personal services on the back of implementation of the Sixth Pay Commission recommendations. Although agriculture also recorded a deceleration in growth, the agricultural outlook remains satisfactory, with the sowing in the rabi season being higher than that in the previous year. There has been a moderation in the growth in the current year due to the fallout of the global crisis. Compared to other emerging economies, India has several strengths that can help mitigate the adverse effects of global financial crisis. The Government has taken several measures in this direction and the economy is expected to return to the high growth trajectory.

The passenger car and UV industry, which witnessed buoyant growth until the first half of 2008-09, recorded a decline in sales thereafter. In order to reduce dealer inventories, major passenger car players resorted to production cuts beginning November 2008.

The decline in volumes was due to:

- Tougher requirement for financing automobiles, including tighter credit terms, lower loan-to-value and higher cost of finance, affecting demand across passenger car segments.
- Weaker consumer interest with increased cost of ownership and uncertainty over income levels.
- Lower business sentiment impacted UV demand from the IT/ITeS and tour operator segments.

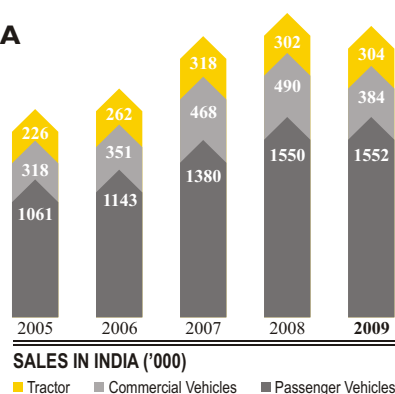
The demand for commercial vehicles slackened due to reduction in freight availability on account of moderation in economic growth, lack of retail finance and inventory build-up at the dealers end.

In 2008-09, the growth in sales of the passenger vehicles which includes utility vehicles and passenger cars was flat as against double digit growth in last couple of years. The sale of commercial vehicles declined by 22 per cent as against a marginal growth shown last year (source: SIAM). The growth in tractor sales was also flat against a marginal decline last year. Chart A shows the domestic sales during the last five years of passenger vehicles, commercial vehicles and tractors which are the key automobile segments for MMFSL.



MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Chart A



The vehicle finance industry, which includes financing of both passenger vehicles and commercial vehicles, witnessed a roller-coaster ride during 2008-09. While the auto finance industry was on a growth trajectory during the beginning of the year, it saw a gradual decline and even negative growth in some sectors beginning the middle of the year. The slowdown in finance has been attributed to the overall slowdown in the economy, the tight liquidity conditions and high interest rates. The overall vehicle demand has seen a significant slowdown due to the slowing economy, concerns regarding growth in income, rising interest rates and reduction in finance penetration on account of tightening of underwriting norms.

The Reserve Bank of India has taken measures (post-September 2008) to improve the liquidity situation and reduced interest cost through the reduction of repo rate, reverse repo rate and Cash Reserve Ratio (CRR). But considering the expected rise in delinquencies, financiers might only partially pass on the benefit of the decline in borrowing cost to customers to protect their margin.

The performance highlights during 2008-09, are given below:

- Total assets grew by 6 per cent from Rs.7022 crore on 31st March, 2008 to Rs.7444 crore on 31st March, 2009.
- Cumulative number of customer contracts increased by 19 per cent from 815,665 in 2007-08 to 973,493 in 2008-09.
- Total income grew by 13 per cent from Rs.1227 crore in 2007-08 to Rs.1385 crore in 2008-09.
- Profit before tax (PBT) grew by 20 per cent from Rs.272 crore in 2007-08 to Rs.326 crore in 2008-09.
- Profit after tax (PAT) grew by 21 per cent from Rs.177 crore in 2007-08 to Rs.215 crore in 2008-09.
- Capital Adequacy Ratio continued to be at a comfortable level of 19.4 per cent compared to the statutorily required 12 per cent.

OPPORTUNITIES

The financial system in India has witnessed considerably less turmoil and volatility than that in advanced economies. Cyclical slowdown is unlikely to impact segments of the economy such as agriculture where a structural shift is under way. The rural economy has been the greater focus of government policy in recent years, and significant opportunities lie for financial institutions here where the penetration of credit and financial products is still relatively low. NBFCs have played major role in developing small business in rural India through local presence and strong customer relationships. With the next wave of growth in India expected from mainly the semi-urban and rural sector, the unique access of MMFSL to these sectors puts it in a great position to benefit from this growth.

Rural India contributes 50 per cent to overall GDP, yet the penetration level for financial service products in rural and semi-urban areas is mere 25 per cent of deposits and 25 per cent of advances. Corporate India is increasing exposure to rural markets with large retail chains and telecom service providers entering these markets.





MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

India's agricultural and rural economy is going through a clutch of structural changes which could lead to higher rural income and open multiple opportunities for the financial sector. These include:

- Higher prices for agricultural products around the world was a result of stagnating supply, rising demand from Asian Economies and diversion of crops for fuel.
- Organised players have entered agricultural supply chain that is gradually eroding the role of the middleman and which is likely to translate into higher farm income.
- Organised Warehousing is likely to increase the ability of farmers to access credit and improve their pricing power.
- New employment opportunities in the non-farm rural segment is likely to be the key driver in the rural economy. The Rural Employment Guarantee Scheme launched by the Government has found takers in the market and nearly 25.7 mn rural households were employed during the Financial Year 2008.

The key dimensions of the Company's strategy are innovative products, risk adjusted pricing, customer focus, customer convenience, wide distribution, strong processes and prudent risk management.

MMFSL is one of the early entrants into the rural and semi-urban markets, initially providing financing solely for products of M&M which has been selling its products in those markets for over 60 years. Credit in these markets is principally provided by banks from the organised finance sector or by the local money lenders. Though of late, there has been a penetration by some private financial services companies, the market still remains largely untapped. There is a large section of the rural population which do not have access to credit largely due to their inability to meet the lending covenants of the banks or because they cannot service the high rates of the money lenders. There is a huge opportunity in these markets and the Company is well positioned to service this population.

The executives at MMFSL have been sourced locally and are trained to understand the credit requirement of the customers and evolve a financial product based on the credibility of the borrower. The Company adopts simple documentation procedures for prompt loan approval and offers interest rates hovering between those offered by the banks and the money lenders. By its presence in this market for the last 15 years, the Company has gained significant experience of the local characteristics of the rural and semi-urban markets across India. The markets covered by the Company are largely cash driven and has the challenges and limitations of rural infrastructure which has been to a larger extent addressed by robust controls and processes.

The developments in rural India in the field of telecommunication, travel infrastructure, television and print media coupled with a general rise in literacy levels has brought about a substantial difference in the living standards and life-styles of a class of consumers bringing them very close to their urban counterparts.

The Company intends to leverage its reach and large client base by providing a wide range of financial products and services. Mahindra Rural Housing Finance Limited, the housing finance subsidiary incorporated during the last year has initiated its business using the wide spread network of branches and customer base of MMFSL which continues to be a single point window through its existing branch infrastructure for distribution/servicing of insurance, mutual fund and housing loan products.

Mahindra Finance believes in its people-driven business model based on building long term personal relationships. The Company is confident that it will be successful in tailoring products to position itself well in rural and semi-urban markets, and service the credit needs by providing competitive, flexible and expeditious lending services.

THREATS

The problems of the automobile industry, which was already grappling with falling demand due to the slowing economy, were further accentuated by the adverse financing environment triggered by the global financial crisis. Turmoil in the international financial markets and tight monetary measures adopted by the Reserve Bank of India (RBI) in a bid to tame inflation till August 2008, led to severe liquidity concerns in the Indian financial market. This led to a high interest rate environment, which made funds costlier for financiers. Despite a slew of measures taken by the RBI to ease liquidity pressures, availability of finance at the



MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

retail end still remains an issue as financiers have been constrained by the huge amounts of funds they have already raised at higher rates. Further, rising credit losses have also dented their ability in reducing their lending rates in the same proportion.

Amidst tight liquidity conditions, concerns over mounting delinquencies and restrictive repossession norms issued by the Apex Court in 2007, financiers who were earlier competing to grab market share, have now significantly curtailed their exposure towards the auto finance sector, while also making the underwriting standards more stringent. Due to strict underwriting standards, the loan-processing period has increased sharply while also leading to higher rejection rates.

Concerns over mounting delinquencies have not only acted as a barrier to reducing interest rates but also led to tightening of underwriting norms by the financiers. Such a tight credit environment has been one of the key reasons for the dismal performance of the automobile sector.

The rise in the ownership costs due to rising fuel prices and continued uncertainty regarding growth in income levels have also affected demand for the car and UV industry. Further, higher ownership costs and uncertainty about freight demand sustainability has led to deferment of vehicle purchases by transporters, leading to a sharp de-growth in Commercial Vehicle demand.

Growth in automobile sales in 2009-10 would be primarily driven by increase in demand for underlying assets due to new model launches in this segment and improving affordability on account of falling interest rates and inflation.

To succeed in this market, financiers would be required to develop proper network to service the customers, ensure timely collections to reduce cash losses and understanding of the credit profile of the customer by having a grass root level presence.

The Company's main competitors continue to be banks and other NBFCs. Over the last several years, a number of banks have increased their focus on retail loans in rural and semi-urban India. While some of them may not have MMFSL's knowledge base and operational flexibilities, they have greater financial resources with an access to cheaper funds.

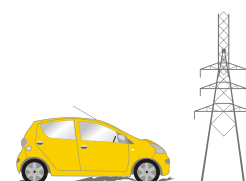
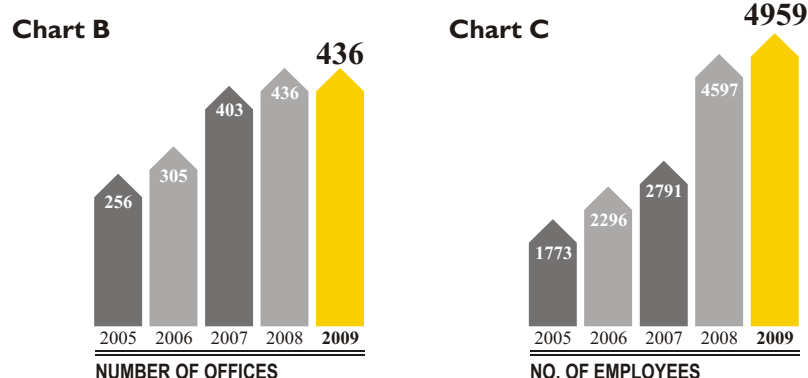
Growth prospects of the business, including the quality of the Company's assets and its ability to grow the asset portfolio, are influenced by the growth of the agricultural sector and development of rural infrastructure. The level of loans made, loan recovery and demand for vehicles and tractors are all affected by these factors. Any major slowdown in the Indian economy, the growth of vehicle and tractor sales and in agriculture (particularly due to abnormal monsoons), coupled with inflationary pressures or deleterious changes in Government policy could adversely impact MMFSL's future financial performance.

OPERATIONS

During 2008-09, MMFSL entered into 157,828 new contracts. On a cumulative basis, number of customer contracts increased by 19.3 per cent from 815,665 in 2007-08 to 973,493 in 2008-09. The disbursements registered a marginal growth of 7.4 per cent to Rs. 6281.2 crore compared to Rs. 5849.7 crore in 2007-08.

The Company's total assets increased by 6.0 per cent from Rs. 7021.8 crore on 31st March, 2008 to Rs. 7443.9 crore on 31st March, 2009.

Charts B and C show the growth in MMFSL's branch network and its employees over the last five years.



MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

MMFSL has 436 offices as on 31st March, 2009, mainly in rural and semi-urban areas. These offices are spread across 25 states and 2 union territories, and categorised into 5 zones and 16 regions, with all offices reporting into their respective regional offices. The Company has one of the largest network of offices amongst NBFCs operating in rural and semi-urban areas.

The Company has a well equipped network infrastructure to be able to market and service its products, the main area of operations of MMFSL revolve around the asset creation process and the efficient sourcing of funds to create these assets.

On an average, all loans are approved / rejected within two days of applying. In the process of documentation and approval, a great deal of emphasis is on customising the product for the customer keeping in mind his expected cash flows and other considerations. In approving and disbursing the loans, the objective is to minimise the time taken without compromising on asset quality.

Once a loan is disbursed, the Company follows a structured loan monitoring process, which is backed by a strong MIS department. The MIS department is centralised and monitors compliance with the terms and conditions of credit facilities. This involves examining aspects such as completeness of documentation and creation of security through regular visits to the branches by Company's executives and internal auditors. Given the nature of the business, an efficient structure for optimal risk adjusted loan evaluation and a strong loan recovery cell are in place.

Sourcing of cost-effective funds and their efficient management are the key to profitable operations of a NBFC. On 31st March, 2009, MMFSL had total borrowings worth Rs.6717 crore. The distribution of Mahindra Finance's source of borrowings in terms of investors and instruments are given in charts D and E.

Chart D

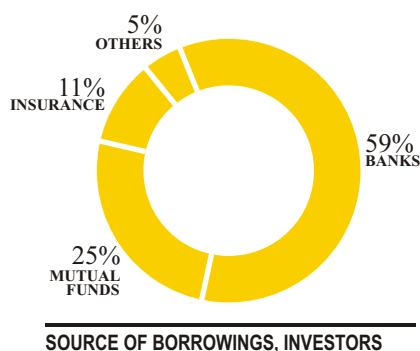
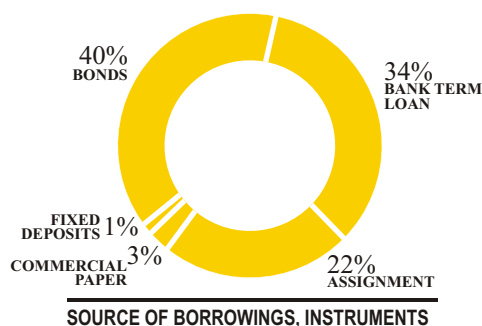


Chart E



Financial markets in India, which by and large, remained orderly from April 2008 to mid-September 2008, witnessed heightened volatility subsequently reflecting the knock-on effects of the disruptions in the international financial markets and the uncertainty that followed. Liquidity conditions tightened significantly between mid-September and October 2008, emanating from adverse international developments and some domestic factors. Consequently, the money markets in India came under some pressure, the Indian rupee generally depreciated against major currencies and the equity market continued to witness downswings in consonance with volatility in major international equity markets. This necessitated the RBI to undertake a series of measures to inject rupee and foreign exchange liquidity from mid-September 2008 onwards. Liquidity conditions turned around and became comfortable from mid-November 2008. Headline inflation has declined in major economies since July/August 2008.

The liquidity crunch in the economy and tight monetary policy led to hardening of interest rates with all banks increasing their Benchmark Prime Lending Rates (BPLRs). Several measures initiated by the RBI since mid-September 2008, has eased out the tight liquidity conditions. A majority of the Public Sector Banks (PSBs) have already reduced their BPLRs by 200-250 basis points (bps). However, the cut in BPLRs is not proportionate to the reduction in CRR, statutory liquidity ratio (SLR) and repo rate.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

During the three months starting November 2008 the domestic Mutual Fund industry also faced pressure on account of redemption from the Investors. This had an impact on the Company as Mutual Funds were one of the leading source of borrowings. The Company managed the crisis well by creating new relationships with public sector banks and insurance companies.

MMFSL structured borrowings through innovative instruments like standalone Commercial Paper and MIBOR-linked Debentures. The Company sourced medium term loans from consortium banks at attractive rates to the extent of Rs. 630 crore against its Priority Sector portfolio. It was also able to place subordinated debt amounting to Rs.9.8 crore at very attractive rates.

During the year the Company relaunched its Fixed Deposit scheme in January 2009 mobilising an amount of Rs. 72.4 crore by 31st March 2009.

In 2008-09, the Company further leveraged certain facilities of consortium banks like the Cash Management Services (CMS)/ Core Banking Solution (CBS), by covering 37 more branches, taking the total coverage of branches under CMS / CBS to 424. This will result in further savings of transfer and interest cost.

MMFSL also successfully assigned receivables to the extent of Rs. 1036.2 crore.

During March 2009, MMFSL's ratings were revised by the rating agency in line with the revision in the rating of its parent company, Mahindra & Mahindra Ltd. The revised ratings for its borrowing programs are:

CRISIL Ratings:

- 'FAA/Negative' for Fixed Deposit Programme.
- 'AA-/Negative' for Long-term Non-Convertible Debentures, which indicates high degree of safety with regard to timely payment of interest and principal.
- 'AA-/Negative' for its Tier-II Subordinated Debt Programme.
- Highest rating of 'PI+' for its short-term borrowing programme in the form of Commercial Paper and Short-term Debentures.

FITCH Ratings:

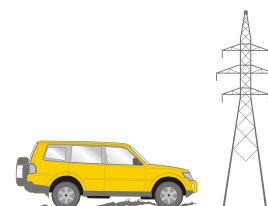
- 'AA(ind)' with Stable outlook for National Long Term Debt and Lower Tier II Subordinated Debt.

As a measure of good Corporate Governance, the Company has set up an investor relation cell to address the concerns of investors in a timely manner and explain the Company's strategy adequately and outlook generally as perceived by the Company. During the year, your Company has actively participated in a number of international and domestic investor meets organized by reputed International Banks and Financial Services Companies. The Company also periodically conducted analysts' meets to communicate performance, exchange information and important developments, if any.

MAHINDRA INSURANCE BROKERS LIMITED

The business of direct insurance broking for Life and Non-Life products is carried out through MMFSL's wholly-owned subsidiary, Mahindra Insurance Brokers Limited (MIBL). The year under review represents the fifth year of MIBL's insurance broking operations. Consequent to the detariffing of the Non-Life market during 2007-08, your Company's focus during the year under review was on significantly enhancing the retail customer base in order to minimize the impact of detariffing on broker income.

During the year under review, MIBL reached an important milestone of crossing 2,50,000 policies, with a total of 2,88,453 policies for both Life and Non-Life retail business lines. The customized life insurance cover "Mahindra Loan Suraksha" (MLS) continued to receive a good response and grew by 17.8% from 81,037 lives covered with a Sum Assured of Rs. 1,775.6 crores in the Financial Year 2007-08 to 95,434 lives covered with a Sum Assured of Rs.2,180.4 crores in the Financial Year 2008-09, with a substantial portion being covered in the rural markets. In the Non-Life retail segment mainly comprising of Motor insurance primarily in the rural market, MIBL achieved a growth of 25.5% from 1,53,831 cases in the Financial Year 2007-08 to 1,93,019 cases in the Financial Year 2008-09.





MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

MIBL achieved a growth of 14.3% in Net Premium generated for the Corporate and Retail business lines, increasing from Rs. 139.8 crores (Gross Premium Rs. 155.3 crores) in the Financial Year 2007-08 to Rs. 159.8 crores (Gross Premium Rs. 177.0 crores) in the Financial Year 2008-09. The Income increased by 28.3% from Rs. 18.0 crores in the Financial Year 2007-08 to Rs. 23.1 crores in the Financial Year 2008-09. The Profit Before Tax increased by 31.2% from Rs. 7.7 crores to Rs. 10.1 crores, and the Profit After Tax increased by 30.0% from Rs. 5.0 crores to Rs. 6.5 crores during the same period.

MAHINDRA RURAL HOUSING FINANCE LIMITED

Mahindra Rural Housing Finance Limited (MRHFL) in its second year and first full year of operations disbursed loans amounting to Rs. 43.4 crores in spite of difficult market conditions, as against Rs. 3.0 crores last year. MRHFL intends to capitalise on the reach of MMFSL for creating a niche in the rural and semi-urban markets for housing finance. MRHFL launched its operations in all the southern states of India in addition to the states of Maharashtra and Gujarat, during the last fiscal. MRHFL intends to gradually create its presence through the pan-India branch network of MMFSL.

HUMAN RESOURCES

MMFSL firmly believes that its competitive edge is derived from its people. As a financial services company, which takes pride in serving and knowing its customers better than most, people remain Company's most valuable asset. The past success was built on the soundness of the Company's strategy which by the quality and determination of the employees had turned into action. Going forward, the Company not only plans to maintain this key source of competitive advantage but also build on it through well-structured training initiatives.

With a rapidly changing business environment comes a need to constantly upgrade existing skill sets and meet new challenges. During 2008-09, the focus of Human Resources function has been on improving the skills of its employees by organising various job based training programs. The Company plans to continue to recruit the right people for the right job across the country through innovative methods and enhance employee potential through continuous training and development plans. The Company is well equipped in terms of processes to continue to meet the upcoming requirements of growth and expansion of the Company.

MMFSL follows a very open and structured performance appraisal process, which enables continuous and timely feedback to employees for motivating them and guiding them towards meeting organisational objectives. To create a sense of ownership among the employees and as a long term incentive the Company has during the year issued options under the prevailing Employee Stock Option Scheme to selective employees linked to their performance.

As of 31st March, 2009, there were 4,959 employees on the rolls of the Company.

INFORMATION TECHNOLOGY

Information Technology (IT) plays a major role in transforming a corporate into a highly responsive organization to meet the challenges of a globalised economy. It is increasingly being considered as critical to the strategic direction and the day-to-day operation of financial services firms. The Company, to enhance its competitive advantage in the changed environment, is increasingly harnessing new technologies to provide superior customer offerings and streamline internal processes. Today's dynamic marketplace demands that financial services providers emphasize on technologically advanced, feature-rich solutions, that can operate in real-time and with the highest degree of precision and reliability. The technology initiatives are aimed at enhancing the service levels/customer convenience and improving loan administration and recovery by minimising costs.

The Company has also initiated the use of IT enabled Hand Held Machines for its field force for issuing receipts for the amounts collected in field from the customers. The usage of such technology has brought control and efficient monitoring of collections.



MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

393 of the Company's 436 offices are connected to the centralised database at MMFSL data centre located in Mumbai. The Company's endeavour is to achieve maximum possible uptime for each location; and for this the best available IT infrastructure has been implemented, irrespective of the size of branch operations. There are challenges associated with achieving connectivity in rural areas, which we expect to improve with the developments in rural India in the near future, there by achieving IT connectivity with all our offices.

The Company has deployed well trained IT personnel at most of its offices across India. The Company plans to deploy a customer relationship management system to enable the Company to cross-sell other products and services, as well as in improving credit and market risk management.

FINANCIALS

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The abridged financials of MMFSL for 2008-09 including revenue, expenditure and profits, are presented in Table I.

Table I: Abridged Profit and Loss Account (Rs. in crore unless indicated otherwise)

	2008-09	2007-08	Growth
Revenue			
Income from operations	1364.8	1205.8	13.2%
Other income	19.9	21.0	-5.2%
Total	1384.7	1226.8	12.9%
Expenditure			
Financial Expenses	509.9	456.0	11.8%
Employee cost	117.3	96.1	22.1%
Other Expenses	140.8	147.7	-4.7%
Provisions & Write Off's	282.4	246.3	14.7%
Depreciation & Amortisation	8.7	8.7	0.0%
Total	1059.1	954.8	10.9%
PBT	325.6	272.0	19.7%
Direct tax	111.1	95.0	16.9%
PAT	214.5	177.0	21.2%
Basic EPS (Rs.)	22.5	20.8	8.2%
Diluted EPS (Rs.)	22.1	18.3	20.8%

During the year, cumulative contracts increased at 19.3 per cent to 973,493 and the Company's total assets increased by 6.0 per cent to Rs. 7443.9 crore. As a result, total revenues grew by 12.9 per cent from Rs. 1226.8 crore in 2007-08 to Rs. 1384.7 crore in 2008-09.

The tight liquidity situation prevailed during the year and interest rates moved up across the yield curve. The Company was able to contain its impact by passing major part of it to the customer and by efficient management of funds. As a result the net spread on its assets improved marginally from 4.1 percentage points in 2007-08 to 4.5 percentage points in 2008-09.

Profit before tax (PBT) of the Company grew at 19.7 per cent from Rs. 272.0 crore in 2007-08 to Rs. 325.6 crore in 2008-09, whereas profit after tax (PAT) grew by 21.2 per cent from Rs. 177.0 crore to Rs. 214.5 crore during the same period.

Consequently, basic earnings per share has increased from Rs.20.8 in 2007-08 to Rs.22.5 in 2008-09.



MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

Table 2 presents information on the key ratios of the Company.

Table 2: Key Ratios

	2008-09	2007-08
PBT/Total income	23.5%	22.2%
PAT/Total income	15.5%	14.4%
PBT/Total Assets	4.4%	3.9%
RONW*	15.4%	16.9%
Debt/Equity	3.5	3.8
Capital Adequacy	19.4%	20.7%
Tier I capital	17.3%	16.8%
Tier II capital	2.1%	3.9%
Book Value (Rs.) (excluding ESOPs)	153.4	137.8

* Based on Average Net Worth

The debt to equity ratio was at 3.5 on 31st March, 2009. In real terms, and relative to other financing companies, there is significant scope of increasing the borrowings to grow the business in the future.

The Company also has a capital adequacy ratio of 19.4 per cent which is much higher than what is mandated by the RBI. The book value of the Company stood at Rs.153.4 as on 31st March, 2009.

As a prudent practice, the Company makes additional provisioning for non-performing assets (NPAs) at a faster rate than that prescribed by the RBI. During the year, write-offs and provisions of the Company increased by 14.7 per cent from Rs. 246.3 crore in 2007-08 to Rs. 282.4 crore in 2008-09. The gross NPA to total asset ratio has increased marginally from 7.6 per cent in 2007-08 to 8.7 per cent in 2008-09; however, the net NPA to total asset ratio has reduced from 2.9 per cent in 2007-08 to 2.6 per cent in 2008-09.

Table 3 provides further information on the NPA situation of the Company.

Table 3: Non-Performing Asset (NPA) Analysis (Rs. in crore unless indicated otherwise)

	2008-09	2007-08
Gross Non-Performing Assets	690.9	557.2
Less: NPA provisions	496.6	351.9
Net Non-Performing Assets	194.3	205.3
Total Assets (including provision)	7940.5	7373.7
Gross NPA to Total Assets (%)	8.7%	7.6%
Net NPA to Total Assets (%)	2.6%	2.9%

Note: The above figures are excluding securitised / assigned assets.

RISKS AND CONCERNS

Risk is inherent part of the Company's business. Effective Risk Management is critical to any NBFC for achieving financial soundness. In view of this, aligning Risk Management to Company's organizational structure and business strategy has become integral to the business of financing.

The Company's goal in risk management is to understand, measure and monitor the various risks that arise, and to evolve appropriate policies and procedures to mitigate these risks.

MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

The Company is primarily exposed to credit risk, interest rate risk, liquidity risk and operational risks. The Company has a Risk Management Committee of the Board in place which manages and reviews the risk management system, policy and strategy from time to time. The Company has also an eight-member operating risk management team, headed by the Chief Financial Officer and comprising of functional heads to manage risks. The team identifies, assesses and monitors all principal risks in accordance with defined policies and procedures.

INTERNAL CONTROL SYSTEMS

In the opinion of the management, the internal control systems are adequate and provide, among other things, reasonable assurance of recording transactions of operations in all material respects and of providing protection against significant misuse or loss of Company assets.

Teams of auditors conduct internal audits to assess the adequacy of the internal control procedures and processes of the Company. The Company has appointed a number of audit firms across the country to review and audit branch operations and their reports are reviewed by the Audit Committee of the Board. Policy and process corrections are undertaken based on input from these auditors. Reports of the internal auditors, as well as the action taken on the matters reported upon, are discussed at the Audit Committee meetings.

OUTLOOK

As per CRISIL Research the domestic passenger car industry is expected to grow by 1-2 per cent in 2009-10 following a flat growth in 2008-09. Improvement in finance disbursement norms, lowering of the cost of ownership on account of reduction in petrol and diesel prices by Rs 5 and Rs 2 cut respectively, in January 2009 along with a 100-150 bps reduction in auto lending rates and active participation of public sector banks in auto financing will arrest any further decline in volumes in 2009-10.

In the long run, the growth in vehicle financing would be driven by the demand arising from changing demographic and income patterns, improved portfolio health on account of stringent credit norms and reduction in delinquency level. This would allow financiers to pass on a significant portion of the interest rate cut to customers to boost demand.

The Company sees a huge potential for the housing finance business in the rural and semi-urban markets, which till date remains untapped to a large extent. Even as the Company takes these initiatives forward, the main focus will be on expanding the branch network systematically during 2009-10.

Our main challenge as we grow will be to maintain the strong levels of operational performance by introducing innovative products with local relevance, giving priority to customer focus and convenience, and simultaneously maintaining strong processes and prudent risk management.

The Company is very positive about the growth scenario in rural and semi-urban India and confident of being able to leverage this opportunity with its resources and expertise to grow the business in the future and continue being the dominant NBFC in financing four wheelers. Consequently, the outlook for 2009-10 continues to be optimistic.

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 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 Corporate Governance is about conducting business ethically and maintaining a balance between economic and social goals. It includes the ability to operate profitably in accordance with the applicable laws, rules and regulations.

Your Company is of the view that the fundamental objective of Corporate Governance is to enhance shareholders' value and protect the interests of other stakeholders by improving the corporate performance and accountability and bringing about sustained corporate growth and long-term benefits for stakeholders.

Your Company manages its affairs with diligence, transparency, responsibility and accountability and promotes and practices a culture that is built on core values and ethics.

The stipulations mandated by Clause 49 of the Listing Agreement with the Stock Exchanges, have been fully complied with by your Company. This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with Clause 49.

BOARD OF DIRECTORS

The Company has a Non-Executive Chairman and the number of Independent Directors is one-half of the total number of Directors. The number of Non-Executive Directors is more than 50 % of the total number of Directors. The management of the Company is entrusted in the hands of the Key Management Personnel of the Company and is headed by the 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 stakeholder value are met.

Mr. Bharat Doshi, Mr. Uday Y. Phadke and Mr. Anjanikumar Choudhari, Non-Independent Non-Executive Directors of your Company are in the whole-time employment of the holding company, Mahindra & Mahindra Limited and draw remuneration from it. Apart from reimbursement of expenses incurred in the discharge of their duties, the remuneration that the Non-Executive Directors would be entitled to under the Companies Act, 1956, 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 judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

The Senior Management has 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 seven times during the year under review on 22nd April, 2008, 23rd July, 2008, 18th September, 2008, 27th October, 2008, 23rd January, 2009, 14th February, 2009 and 20th March, 2009. The maximum gap between any two meetings was not more than four months. These were well attended.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIP HELD

As mandated by Clause 49, none of the Directors is a member of more than ten Board level Committees and no such Director is a Chairman/Chairperson of more than five Committees of Companies in which he/she is a Director. Table I gives the details.

COMPOSITION OF THE BOARD

As on 31st March, 2009, the Company's Board comprised of eight members. The Chairman of the Board and two other members are Non-Independent Non-Executive Directors. The Managing Director is an executive of the Company while the remaining four are 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), as also the number of Directorships and Committee positions held by them in companies are given below:



REPORT ON CORPORATE GOVERNANCE (contd.)

Table I: Composition of the Board of Directors

Name of the Directors	Category	Attendance Particulars			No. of other Directorships and Committee Memberships / Chairmanships/Chairpersonship #		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships/Chairpersonship
		Held	Attended				
Mr. Bharat N. Doshi (Chairman)	Non-Independent Non-Executive	7	7	Yes	9	3	2
Mr. Uday Y. Phadke (Vice Chairman)	Non-Independent Non-Executive	7	7	Yes	11	8	3
Mr. Ramesh Iyer (Managing Director)	Executive	7	7	Yes	6	5	-
Mr. Anjanikumar Choudhari	Non-Independent Non-Executive	7	5	Yes	5	2	-
Mr. Dhananjay Mungale	Independent	7	7	Yes	9	9	5
Mr. Manohar G. Bhide	Independent	7	4	No	6	5	2
Mr. Piyush Mankad	Independent	7	7	Yes	13	9	2
Ms. Rama Bijapurkar	Independent	7	5	No	9	3	1

Notes:

Excludes Directorships in private limited companies, foreign companies, companies registered under section 25 of the Companies Act, 1956, unlimited companies and Alternate Directorships but includes Directorship in Mahindra & Mahindra Financial Services Limited (MMFSL). Committees considered are Audit Committee and Share Transfer and Shareholders/Investors Grievance Committee including in MMFSL.

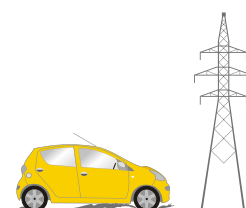
INFORMATION SUPPLIED TO THE BOARD

The Company sends a detailed agenda folder to each Director sufficiently in time before Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting on the overall performance of the Company, followed by presentations by the 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 shareholders' value are met. The Board also, inter alia, reviews and considers investment and exposure limits, review of major legal issues, 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 Compliance Officer.

The Board periodically reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. In addition to the above, pursuant to Clause 49, the minutes of the Board Meetings of your Company's unlisted subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

REMUNERATION POLICY

The success of an organisation in achieving good performance and good governing practice depends on its ability to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors. With this objective, the Board and the Remuneration/Compensation Committee decide on the remuneration to be paid to the Executive and Non-Executive Directors. While deciding on the remuneration to Directors, the Board and the Remuneration/Compensation Committee considers the performance of the Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors.



REPORT ON CORPORATE GOVERNANCE (contd.)

REMUNERATION PAID TO DIRECTORS

Detailed information of Directors' remuneration for the year 2008-09 is set forth in Table 2.

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. 33.05 lakhs has been provided as payable to the eligible Non-Executive Directors in the accounts of 2008-09. In addition, Non-Executive Directors were paid a sitting fee of Rs. 5,000 each for every Meeting of the Board or Committee attended. The Board at its Meeting held on 25th October, 2007 has at the request of the Non-Independent Non-Executive Directors waived the sitting fees payable to them for attending the Board and Committee Meetings with effect from 25th October, 2007.

Remuneration to the Managing Director is fixed by the Remuneration/ Compensation Committee and thereafter approved by shareholders at a General Meeting.

Table 2: Details of Remuneration paid to Directors for 2008-09

Name of the Director	(In Rs.)					No. of Stock Options granted in December 2005 Grant-1 \$	No. of Stock Options granted in July 2007 Grant- 2 \$	No. of Stock Options granted in March 2008 Grant- 3 \$	No. of Stock Options granted in September 2008 Grant- 4 \$
	Sitting Fees	Salary and Perquisites	Super-annuation and Provident Fund #	Comm-ission	Total				
Mr. Ramesh Iyer*	N.A	86,05,461	5,44,339	23,10,000	1,14,59,800	1,00,000	19,580	19,106	24,366
Mr. Bharat N. Doshi	N.A	N.A	N.A	Nil	Nil	2,00,000	12,135	Nil	14,051
Mr. Uday Y. Phadke	N.A	N.A	N.A	Nil	Nil	10,000	4,042	Nil	14,051
Dr. Pawan Goenka**	N.A	N.A	N.A	Nil	Nil	10,000	2,021	Nil	3,513
Mr. Anjanikumar Choudhari	N.A	N.A	N.A	Nil	Nil	10,000	2,021	Nil	3,513
Mr. Dhananjay Mungale	95,000	N.A	N.A	8,00,000	8,95,000	10,000	Nil	Nil	Nil
Mr. M. G. Bhide	35,000	N.A	N.A	8,00,000	8,35,000	10,000	Nil	Nil	Nil
Mr. Nasser Munjee @	25,000	N.A	N.A	8,00,000	8,25,000	10,000	Nil	Nil	Nil
Mr. Piyush Mankad	55,000	N.A	N.A	8,00,000	8,55,000	10,000	Nil	Nil	Nil
Ms. Rama Bijapurkar^	35,000	N.A	N.A	Nil	35,000	N.A	N.A	N.A	10,000

Notes:

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

\$ Details of Grants :

Grant-1 :

The Stock Options have been granted on 7th December, 2005. Of this, 35% of the Options have vested on 7th December, 2006, 25% vested on 7th December, 2007 and 20% vested on 7th December, 2008. The balance Options would vest as follows:

10% on expiry of 48 months from the date of grant and 10% on expiry of 60 months from the date of grant.

Grant- 2 :

The Stock Options have been granted on 24th July, 2007. Of this, 35% of the options have vested on 24th July, 2008 and the balance options would vest as follows:

25% on expiry of 24 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; 10% on expiry of 60 months from the date of grant.

REPORT ON CORPORATE GOVERNANCE (contd.)

Grant- 3 :

The Stock Options have been granted on 25th March, 2008. Of this, 35% of the options have vested on 25th March, 2009 and the balance options would vest as follows:

25% on expiry of 24 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; 10% on expiry of 60 months from the date of grant.

Grant- 4 :

The Stock Options have been granted on 18th September, 2008. These options would vest as follows:

35% 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 36 months from the date of grant; 10% on expiry of 48 months from the date of grant; 10% on expiry of 60 months from the date of grant.

* The notice period for Managing Director is three months. Commission and Stock Options are the only component of remuneration that is performance linked. All other components are fixed. Details regarding the Stock Options granted to the Managing Director are given in the Annexure I to the Directors' Report. The term of appointment is for a period of 5 years with effect from 30th April, 2006.

** Resigned with effect from 20th March, 2009

@ Resigned with effect from 1st August, 2008

^ appointed with effect from 14th June, 2008

During 2008-09, the Company did not advance loans to any of its Directors.

A total of 45,128 Stock Options have been granted to Non-Executive Directors under the Company's Stock Option Scheme during the year under review. Details of these are given in the Annexure I to the Directors' Report.

SHARES HELD BY NON-EXECUTIVE DIRECTORS

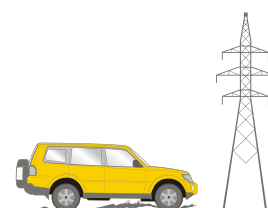
Table 3 gives details of the shares held by the Non-Executive Directors as on 31st March, 2009

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

Name of the Director	Number of Shares held
Mr. Bharat N. Doshi	1,13,287
Mr. Uday Y. Phadke	9,415
Mr. Anjanikumar Choudhari	8,707
Mr. Dhananjay Mungale	8,000
Mr. M. G. Bhide	8,000
Mr. Piyush Mankad	6,000

CODES OF CONDUCT

The Board has laid down Codes of Conduct for Board members and for designated Senior Management Personnel of the Company. The Codes have been posted on the Company's website www.mahindrafinance.com. All Board members and designated Senior Management Personnel have affirmed compliance with the Codes of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this Report.





REPORT ON CORPORATE GOVERNANCE (contd.)

CEO/CFO CERTIFICATION

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2009.

RISK MANAGEMENT

The 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. Your Company has established procedures to periodically place before the Board the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate these risks.

COMMITTEES OF THE BOARD

Your Company has six Board level Committees - Audit Committee, Remuneration/Compensation Committee, Share Transfer and Shareholders/ Investors Grievance Committee, Asset Liability Committee, Risk Management Committee and Nomination Committee.

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, 2009, the Audit Committee comprised four Non-Executive Directors, of which three are Independent. The Committee comprises of Mr. Dhananjay Mungale (Chairman), Mr. M.G. Bhide and Ms. Rama Bijapurkar, all three being Independent Directors, and Mr. Anjanikumar Choudhari, a Non-Independent Non-Executive Director. The Committee was reconstituted during the year under review. Mr. Nasser Munjee resigned as Chairman and Member of the Committee with effect from 1st August, 2008 and Ms. Rama Bijapurkar was appointed as a member of the Committee with effect from 27th October, 2008. Mr. Dhananjay Mungale has been appointed as the Chairman of the Committee with effect from 27th October, 2008 in place of Mr. Nasser Munjee.

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. The Committee is empowered to review, inter alia, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of the unlisted subsidiary companies, Management Discussion and Analysis, Material individual transactions with related parties not in the normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 IIC.

Mr. Nasser Munjee, the former Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 23rd July, 2008.

The Audit Committee met five times during the year on 22nd April, 2008, 23rd July, 2008, 27th October, 2008, 22nd December, 2008 and 23rd January, 2009. The time gap between any two meetings was less than four months. The details of attendance at the Audit Committee Meetings are given in Table 4.



REPORT ON CORPORATE GOVERNANCE (contd.)

Table 4: Attendance record of MMFSL's Audit Committee Meetings

Name of Members	No. of Meetings attended	Remarks
Mr. Dhananjay Mungale (Chairman)	5	Appointed as Chairman with effect from 27th October, 2008.
Mr. Nasser Munjee	2	Resigned as Chairman and Member with effect from 1st August, 2008.
Mr. Anjanikumar Choudhari	3	
Mr. M.G. Bhide	2	
Ms. Rama Bijapurkar	2	Appointed as Member with effect from 27th October, 2008.

The Managing Director, the 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.

All the members of the Audit Committee possess strong accounting and financial management knowledge.

b) Remuneration / Compensation Committee

As of 31st March, 2009, the Remuneration/Compensation Committee comprised five members - Mr. Piyush Mankad (Chairman), Mr. Dhananjay Mungale and Mr. M.G. Bhide, all Independent Directors and Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Independent Non-Executive Directors.

The role of the Remuneration/Compensation Committee is to look into the entire gamut of remuneration package for the working director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the Company, formulate and administer Employees Stock Option Scheme and to attend to such other matters and functions as may be prescribed from time to time.

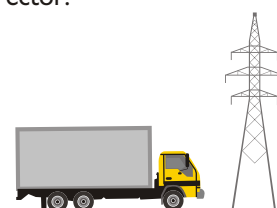
The Committee met four times during the year under review on 22nd April, 2008, 14th August, 2008, 18th September, 2008 and 23rd January, 2009. The attendance details at Meetings of the Committee are given in Table 5.

Table 5: Attendance record of MMFSL's Remuneration/Compensation Committee Meetings

Name of Members	No. of Meetings attended	Remarks
Mr. Piyush Mankad (Chairman)	4	
Mr. Bharat N. Doshi	4	
Mr. Dhananjay Mungale	4	
Mr. Nasser Munjee	1	Resigned as member with effect from 1st August, 2008
Mr. Uday Y. Phadke	4	
Mr. M.G. Bhide	1	Appointed as member vide Circular Resolution dated 2nd September, 2008.

c) Share Transfer and Shareholders / Investors Grievance Committee

The Company's Share Transfer and Shareholders/ Investors Grievance Committee comprises four members, viz. Mr. Uday Y. Phadke (Chairman) Non-Independent Non-Executive Director, Mr. Dhananjay Mungale, Independent Director, Mr. Anjanikumar Choudhari, Non-Independent Non-Executive Director and Mr. Ramesh Iyer, Managing Director.



REPORT ON CORPORATE GOVERNANCE (contd.)

The Committee meets as and when required, to deal with matters relating to transfers/transmissions of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance-sheet, non-receipt of dividends declared, etc.

During the year under review, the Committee held three meetings. The Committee met on 22nd April, 2008, 27th October, 2008, and 20th March, 2009. The attendance details at Meetings of the Committee are given in Table 6.

Table 6: Attendance record of MMFSL's Share Transfer and Shareholders/ Investors Grievance Committee Meetings

Name of Members	No. of Meetings attended
Mr. Uday Y. Phadke (Chairman)	3
Mr. Dhananjay Mungale	3
Mr. Ramesh Iyer	3
Mr. Anjanikumar Choudhari	2

Details of queries and grievances received and attended to by the Company during the year 2008-09 are given in Table 7.

Table 7: Complaints/Letters received and attended to during 2008-09

Nature of Complaints/Letters	Pending as on 1st April, 2008	Received during the year	Answered during the year	Pending as on 31st March, 2009
Status of Share Application	0	1	1	0
Non Receipt of Refund	0	12	12	0
Non Receipt of Electronic Credit	0	35	35	0
Duplicate/ Revalidation of Refund Orders	0	6	6	0
Non Receipt of Dividend	0	29	29	0
Duplicate/Revalidation of Dividend Warrants	0	51	51	0
SEBI/ Stock Exchange Complaints	0	2	2	0
Total	0	136	136	0

d) Asset Liability Committee

The Asset Liability Committee (ALCO) was constituted by the Board in 2001. It reviews the working of the Asset Liability Working Committee, its findings and reports in accordance with the guidelines of the Reserve Bank of India.

Mr. Dhananjay Mungale (Chairman), Independent Director and Mr. Uday Y. Phadke, Non-Independent Non-Executive Director are the members of the Committee. The Committee held two meetings during the year under review.

REPORT ON CORPORATE GOVERNANCE (contd.)

e) **Risk Management Committee**

The Risk Management Committee was constituted by the Board at its Meeting held on 28th January, 2008 to manage the integrated risk and inform the Board the progress made in putting in place a risk management system and review from time to time the risk management policy and strategy followed by the Company.

As of 31st March, 2009 the Risk Management Committee comprised Mr. Dhananjay Mungale, Mr. M. G. Bhide and Ms. Rama Bijapurkar, all Independent Directors and Mr. Anjanikumar Choudhari, Non-Independent Non-Executive Director. During the year under review, Mr. Nasser Munjee has ceased to be a member and Ms. Rama Bijapurkar has been appointed as a member of the Committee.

f) **Nomination Committee**

The Nomination Committee was constituted by the Board at its Meeting held on 25th March, 2008 to review and make recommendations to the Board regarding the Board's composition and structure, establish criteria for Board membership, evaluate corporate policies relating to the appointment of Board members and to establish, implement and monitor policies and processes regarding principles of corporate governance in order to facilitate the Board's compliance with its fiduciary duties to the Company and its shareholders.

It comprises Mr. Piyush Mankad, Mr. Dhananjay Mungale and Mr. M.G. Bhide, all Independent Directors and Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Independent Non-Executive Directors. During the year under review, Mr. Nasser Munjee has ceased to be a member of the Committee. The Committee held one meeting during the year under review.

Subsidiary Companies

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company does not have a 'material non-listed Indian subsidiary'.

MANAGEMENT

Management Discussion and Analysis

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

Disclosures

During the Financial Year 2008-09, there were no materially significant transactions 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 no. "19" in Schedule "XX" to Annual Accounts of the Annual Report.

Disclosure of Accounting Treatment in Preparation of Financial Statements

The Company has followed the Guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Details of Non-Compliance by the Company

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



REPORT ON CORPORATE GOVERNANCE (contd.)

Code for Prevention of Insider Trading Practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees, in line with the Chapter IV of Securities and Exchange Board of India [Prohibition of Insider Trading] Regulations, 1992. The Code, which lays down Guidelines, advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

SHAREHOLDERS

Re - appointment of Directors

Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, one-third of the rotational Directors retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third retire from office.

Mr. M. G. Bhide and Mr. Uday Y. Phadke, Directors, retire by rotation and, being eligible, have offered themselves for re-appointment. The details of Directors seeking re-appointment at the forthcoming Annual General Meeting is set forth in Table 8.

Table 8 : Details of Directors seeking re-appointment at the forthcoming Annual General Meeting

Name of Director	Mr. Manohar G. Bhide
Date of Birth	14th February, 1939
Date of Appointment on the Board	24th October, 2000
Expertise in specific functional area	Banking and Finance
Qualifications	MA, CAIIB
Directorship in Companies	Finolex Industries Limited Mahindra Shubhlabh Services Limited J P Morgan Securities India Private Limited Global Trade Finance Limited IOT Infrastructure & Energy Services Limited (formerly Indian Oiltanking Limited) Asset Reconstruction Company (India) Limited J P Morgan Mutual Fund India Private Limited Mahindra & Mahindra Financial Services Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Finolex Industries Limited Mahindra Shubhlabh Services Limited (Chairman) Global Trade Finance Limited (Chairman) Mahindra & Mahindra Financial Services Limited
Remuneration/ Compensation Committee	Finolex Industries Limited Mahindra Shubhlabh Services Limited Asset Reconstruction Company (India) Limited Global Trade Finance Limited Mahindra & Mahindra Financial Services Limited
Shareholders/ Investors Grievance Committee	Finolex Industries Limited
Shareholding of Director in the Company	8,000 equity shares

REPORT ON CORPORATE GOVERNANCE (contd.)

Mr. M. G. Bhide is a MA, CAIIB. He was the Chairman & Managing Director of Bank of India. He was also the Managing Director & Group Executive (National Banking) of State Bank of India. He has served on various committees constituted by the Reserve Bank of India. He is currently a Member of the Executive Committee - Currency Derivatives Segment, The National Stock Exchange of India Limited.

Name of Director	Mr. Uday Y. Phadke
Date of Birth	19th November, 1950
Date of Appointment on the Board	27th May, 1999
Expertise in specific functional area	Finance and Accounts
Qualifications	B. Com., A.C.A, A.C.S, LL.B (Gen).
Directorship in Companies	Mahindra & Mahindra Financial Services Limited (Vice-Chairman) Mahindra Gujarat Tractor Limited Mahindra World City (Jaipur) Limited Mahindra World City (Maharashtra) Limited Mahindra World City Developers Limited Mahindra Lifespace Developers Limited Mahindra Holidays and Resorts India Limited Mahindra Renault Private Limited Mahindra Holdings Limited Mahindra Rural Housing Finance Limited (Chairman) Mahindra Insurance Brokers Limited (Chairman) Indian Association of Corporate CFOs and Treasurers (INACT) Bristlecone Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra Holdings Limited Mahindra Holidays and Resorts India Limited Mahindra Gujarat Tractor Limited (Chairman) Mahindra World City (Jaipur) Limited Mahindra Lifespace Developers Limited Mahindra Rural Housing Finance Limited (Chairman) Mahindra Renault Private Limited (Chairman)
Remuneration/ Compensation Committee	Mahindra & Mahindra Financial Services Limited Mahindra World City (Jaipur) Limited Mahindra Rural Housing Finance Limited Mahindra Insurance Brokers Limited Mahindra Renault Private Limited
Shareholders/ Investors Grievance Committee	Mahindra & Mahindra Financial Services Limited (Chairman) Mahindra Holidays and Resorts India Limited
Shareholding of Director in the Company	9,415 equity shares

Mr. Uday Y. Phadke is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and has a Bachelor's degree in Commerce and Law from Mumbai University. Mr. Phadke joined Mahindra & Mahindra Limited (M&M) in the year 1973. He is a member of Group Management Board of M&M since April 1999. He heads the Finance, Accounts, Investor Relations and Legal Affairs functions of M&M and is currently designated as President - Finance, Legal and



REPORT ON CORPORATE GOVERNANCE (contd.)

Financial Services Sector & Member of the Group Management Board. He is also a member and convenor of the Corporate Governance Cell in M&M. Mr. Phadke has been Chairman of the Direct Taxes Committee of the Bombay Chamber of Commerce and Industry. Currently, he is a Member on the 'National Committee on Accounting Standards' of CII. He is a special invitee to National Advisory Committee on Accounting Standards. He is also a Member of the Working Group on "Employee Benefits" constituted by the International Accounting Standards Board.

MEANS OF COMMUNICATION WITH SHAREHOLDERS

The Company publishes quarterly, half-yearly and annual results in Business Standard and Sakal which are national and local dailies. The Company results and official news releases are displayed on the Company's website <http://www.mahindrafinance.com>. The Company also makes presentations to international and national institutional investors and analysts, which are also put up on its website. The Company also regularly posts information relating to its financial results and shareholding pattern on Electronic Data Interpretation, Filing and Retrieval System (EDIFAR) at www.sebiedifar.nic.in.

The Company has also designated "investorhelpline_mmfsi@mahindra.com" as an email id for the purpose of registering complaints by investors and has displayed the same on the Company's website.

GENERAL BODY MEETINGS

Details of General Meetings held in the last three years.

Table 9: Details of last three Annual General Meetings and Special Resolutions passed

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2005-2006	10th July, 2006	3.30 p.m	<ol style="list-style-type: none"> 1. Appointment of Mr. Ramesh Iyer as Managing Director of the Company for a period of 5 years with effect from 30th April, 2006. 2. Ratification of Mahindra & Mahindra Financial Services Limited - Employees Stock Option Scheme formulated prior to Initial Public Offer of the Company. 3. Increase in FII limit including their sub-accounts upto an aggregate limit of 35% of the paid-up equity share capital of the Company. 	Y.B. Chavan Centre, Gen. Jagannathrao Bhosale Marg, Nariman Point, Mumbai 400 021.
2006-2007	23rd July, 2007	3.30 p.m	<ol style="list-style-type: none"> 1. To offer/ issue/ allot redeemable non convertible preference shares. 2. Amendment to the Mahindra & Mahindra Financial Services Limited - Employees Stock Option Scheme. 	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
2007-2008	23rd July, 2008	3.30 p.m.	None	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.

REPORT ON CORPORATE GOVERNANCE (contd.)

Table 10: Details of Extraordinary General Meetings held during the past three years

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2007-08	19th February, 2008	3.00 p.m.	<ol style="list-style-type: none"> 1. Increase in Authorised Share Capital of the Company. 2. Alteration of Clause V of the Memorandum of Association of the Company. 3. Alteration of Article 3 of the Articles of Association of the Company. 4. Issue, offer & allot Equity Shares on a preferential basis to persons other than the existing shareholders of the Company. 	Lala Lajpatrai Memorial Trust Auditorium, Lala Lajpatrai College of Commerce and Economics, Lala Lajpatrai Marg, Mumbai 400 034.

Postal Ballot

None of the resolutions was required to be put through postal ballot.

COMPLIANCE

Mandatory Requirements

The Company has complied with all the applicable mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

Adoption of Non-Mandatory Requirements

The Company has adopted the following non-mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

- The Company has set up a Remuneration/Compensation Committee. Details of the Remuneration/Compensation Committee have been provided under the Section 'Remuneration/ Compensation Committee'.
- The financial statements of the Company are unqualified.

The Company has not adopted the other non-mandatory requirements as specified in Annexure I D of Clause 49.

ADDITIONAL SHAREHOLDER INFORMATION

19th Annual General Meeting

Date : 27th July, 2009

Time : 3.30 p.m.

Venue : Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai - 400 020.

Financial Year of the Company

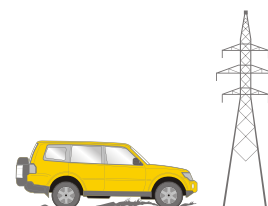
The financial year covers the period from 1st April to 31st March.

For the year ending 31st March, 2010 results will be tentatively announced on:

- | | | |
|---|---|-------------------|
| • Quarter ending 30th June, 2009 | - | End July, 2009 |
| • Half-year ending 30th September, 2009 | - | End October, 2009 |
| • Quarter ending 31st December, 2009 | - | End January, 2010 |
| • Year ending 31st March, 2010 | - | End April, 2010 |

Book Closure

From 4th July, 2009 to 27th July, 2009, inclusive of both days.





REPORT ON CORPORATE GOVERNANCE (contd.)

Dividend Payment

A dividend of Rs. 5.50 per equity share of Rs. 10/- each will be paid on or after 27th July, 2009, subject to approval by the shareholders at the Annual General Meeting.

Registered Office

Gateway Building, Apollo Bunder, Mumbai - 400 001.

Listing

The Company's Shares are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The requisite listing fees have been paid in full to both these Stock Exchanges.

The Non-Convertible Debentures of the Company are listed with the BSE and the Company has paid the requisite listing fees in full.

Table 1: MMFSL's Stock Exchange codes

BSE	532720
NSE	M&MFIN
Demat ISIN in NSDL and CDSL for Equity Shares	INE774D01016

Stock Market Data

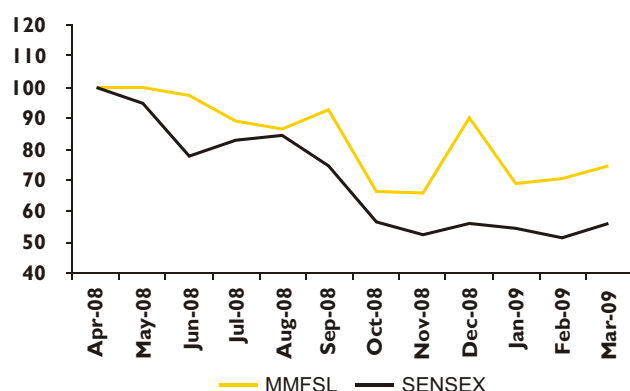
Table 2 and Charts A and B give required details.

Table 2: Monthly High and Low of Company's shares for 2008-09 at BSE and NSE

Month	Bombay Stock Exchange Ltd. (BSE)		National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2008	314.00	250.00	319.00	242.30
May, 2008	306.00	272.00	320.00	270.00
June, 2008	280.00	243.55	278.00	238.00
July, 2008	279.95	240.05	300.00	235.00
August, 2008	252.00	235.00	250.00	238.05
September, 2008	262.00	224.00	284.80	230.00
October, 2008	255.00	175.00	262.00	170.50
November, 2008	210.00	161.55	205.00	171.00
December, 2008	258.00	174.15	258.00	174.10
January, 2009	255.00	189.10	255.00	185.70
February, 2009	215.00	181.10	212.00	178.50
March, 2009	230.00	175.00	227.00	176.15

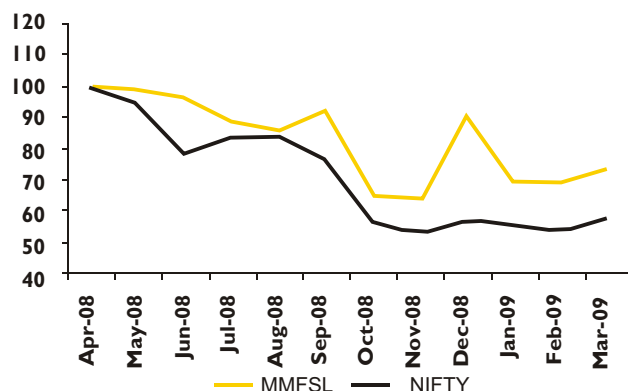
REPORT ON CORPORATE GOVERNANCE (contd.)

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 2008-09 i.e. 1st April, 2008.

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 2008-09 i.e. 1st April, 2008.

Distribution of Shareholding

Table 3 and Table 4 lists the distribution of the shareholding of the equity shares of the Company by size and by ownership class as on 31st March, 2009.

Table 3: Shareholding pattern by size as on 31st March, 2009

Number of Shares held	Number of Shareholders	No. of Shares Held	% Shareholding
1 - 5000	28,749	14,18,678	1.46
5001 - 10000	342	2,44,203	0.25
10001 - 20000	158	2,32,318	0.24
20001 - 30000	48	1,22,286	0.13
30001 - 40000	35	1,20,800	0.13
40001 - 50000	12	55,107	0.06
50001 - 100000	46	3,25,104	0.33
100001 & Above	39	94,382,029	97.40
Total	29,429	96,900,525	100.00





REPORT ON CORPORATE GOVERNANCE (contd.)

Table 4: Shareholding pattern by ownership as on 31st March, 2009

Category of Shareholders	No. of Shares held	% of Shareholding
Promoters and Promoter Group	59,431,198	61.33
Mutual Funds & UTI	251,989	0.26
FII's	23,562,442	24.32
Bodies Corporate	10,636,988	10.98
Indian Public / HUF	2,988,548	3.08
NRI's	22,567	0.02
Trusts	1,163	0.00
Clearing Members	5,630	0.01
Total	96,900,525	100.00

Dematerialisation of Shares

As on 31st March, 2009, 99.36 per cent of the total equity capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on equity

As on 31st March, 2009, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible Instruments.

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
Plot No. 17- 24,
Vittalrao Nagar, Madhapur
Hyderabad 500081.
Tel.: + 91 40 23420815 to 820
Fax: + 91 40 23420814
Email: mailmanager@karvy.com

The Registrar and Transfer Agents also have an office at:

Karvy Computershare Private Limited
16/22, Bake House,
Maharashtra Chamber of Commerce Lane,
Opp. MSC Bank, Fort, Mumbai 400 023.
Telephone No.: +91 22 6638 2666
Fax No.: +91 22 6633 1135

REPORT ON CORPORATE GOVERNANCE (contd.)

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 thirty 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, Managing Director, Mr. Uday Y. Phadke, Vice-Chairman and Mr. V. Ravi, Chief Financial Officer are authorised to approve transfers of upto 2,000 equity shares. The Share Transfer and Shareholders/ Investors Grievance Committee meets as and when required to consider other transfer, transmission of shares and attend to shareholder grievances.

ADDRESS FOR CORRESPONDENCE

Shareholders may correspond with the Registrar and Transfer Agents at:

Karvy Computershare Private Limited

Unit: Mahindra & Mahindra Financial Services Limited

Plot No. 17-24,

Vittalrao Nagar, Madhapur

Hyderabad 500081.

Tel.: +91 40 23420815 to 820

Fax: +91 40 23420814

Email: mailmanager@karvy.com

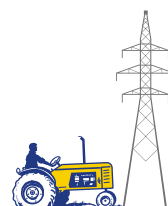
on all matters relating to transfers, transmissions, dematerialisation of shares, payment of dividend and any other query relating to shares of the Company.

Shareholders would have to correspond with the respective Depository Participants for shares held in dematerialised mode.

For all investor related matters, the Chief Financial Officer or the Company Secretary & Compliance Officer can be contacted at Sadhana House, 2nd Floor, Behind Mahindra Towers, 570, P. B. Marg, Worli, Mumbai 400 018. Telephone No: +91 22 66526000 Fax: +91 22 24972741.

E-mail: investorhelpline_mmfsi@mahindra.com; pardiwala.arnavaz@mahindra.com

Company website: <http://www.mahindrafinance.com>





REPORT ON CORPORATE GOVERNANCE (contd.)

MANAGING DIRECTOR'S DECLARATION ON CODES OF CONDUCT

As required by Clause 49 of the Listing Agreement, the CEO declaration for Codes of Conduct is given below:

To
The Members of
Mahindra & Mahindra Financial Services Limited

I, Ramesh Iyer, Managing Director of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Codes of Conduct for the year ended 31st March, 2009.

For Mahindra & Mahindra Financial Services Limited

Ramesh Iyer
Managing Director

Place : Mumbai
Date : 22nd April, 2009

CERTIFICATE

TO THE MEMBERS OF MAHINDRA AND MAHINDRA FINANCIAL SERVICES LTD.

We have examined the compliance of conditions of corporate governance by Mahindra and Mahindra Financial Services Limited for the year ended 31st March, 2009 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of 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.

We state that in respect of investor grievances received during the year ended 31st March, 2009, no investors' grievances are pending against the company as per the records maintained by the company and presented to the Board of the company.

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

Padmini Khare Kaicker
Partner
Membership No. 44784

Mumbai, 22nd April, 2009



AUDITORS' REPORT

To

**THE MEMBERS OF
MAHINDRA AND MAHINDRA FINANCIAL SERVICES LIMITED**

We have audited the attached Balance Sheet of **M/s. MAHINDRA AND MAHINDRA FINANCIAL SERVICES LIMITED**, as at 31st March 2009 and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009, and
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For B. K. KHARE & CO.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784

Place : Mumbai
Date : 22nd April, 2009



ANNEXURE TO THE AUDITORS' REPORT

Annexure to the Auditor's Report referred to in our report of even date:

1. a) The company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. These assets were physically verified by the Management during the year at reasonable intervals and no discrepancies were noticed on such verification.
- b) None of the fixed assets have been revalued during the year.
- c) Fixed assets disposed off during the year were not substantial and therefore do not affect going concern status.
2. Clause 4(ii) of Companies (Auditor's Report) Order, 2003 is not applicable to Stock on Hire.
3. a) Based on the records examined by us and according to the information and explanations given to us, the Company has:
 - i. Not granted any loans to parties covered in the Register maintained under section 301 of the Companies Act, 1956.
 - ii. Not taken any loans to parties covered in the Register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods and services. The management has initiated a programme to improve and rectify the internal control weaknesses noticed during the course of our audit.
5. a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under, in respect of deposits accepted from public.
7. In our opinion and according to the information and explanations provided to us, the Company has an internal audit system, which is commensurate with its size and nature of its business.
8. On facts, the requirements of Para 4 (viii) requiring maintenance of cost records are not applicable in case of the Company.
9. a) According to the records of the Company and information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident fund, Investor education and protection fund, Employees' state insurance, Income tax, Sales tax, Wealth tax and Service tax, cess and other applicable statutory dues with the appropriate authorities.
- b) Following are the disputed tax dues that have not been deposited since the matters are pending before various forums:

Nature of Dues	Amount (Rs. in lacs)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
Income Tax	75.89	2001 - 2002 Reassessment	IT Appellate Tribunal
	141.09	2002 - 2003	IT Appellate Tribunal
	640.82	2002 - 2003	CIT (Appeals)
	407.90	2003 - 2004	IT Appellate Tribunal
	550.27	2003 - 2004	CIT (Appeals)
	251.04	2004 - 2005	IT Appellate Tribunal
	410.95	2005 - 2006	CIT (Appeals)
Service tax	88.41	2004 - 2005	Assistant Commissioner of Service Tax

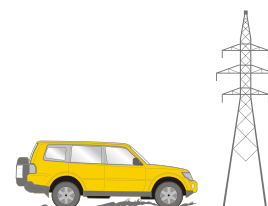
ANNEXURE TO THE AUDITORS' REPORT (contd.)

10. The Company does not have accumulated losses as at the end of the current year. The Company has not incurred cash losses in such financial year and in the immediately preceding financial year.
11. Based on the records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. Based on the records examined by us and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures, or other securities.
13. The Company is not a Chit fund, Nidhi, Mutual Benefit Fund / Society.
14. Based on the records examined by us and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. Based on the records examined by us and according to the information and explanations given to us, during the year, term loans were applied for the purpose for which the loans were taken.
17. On the basis of overall examination of the financial statements and other financial information furnished, including the statement of structural liquidity prepared in accordance with Reserve bank of India guidelines, we report that the Company has not used short term funds for long term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
19. On the basis of our examination of books of account and documents and according to the information and explanations given to us, appropriate securities have been created in respect of secured debentures issued by the Company.
20. The Company has not made any public issue of its shares during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no frauds by the Company were noticed or reported. In respect of frauds on the Company, except for frauds reported with an estimated amount involved of Rs. 957.64 lacs, no other material frauds were noticed or reported during the year. The company has obtained a fidelity guarantee insurance cover in respect of such losses.

Place : Mumbai
Date : 22nd April, 2009

For B. K. KHARE & CO.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784



BALANCE SHEET

As on March 31, 2009

		Rs.in lacs	
	Schedule	March 2009	March 2008
SOURCES OF FUNDS :			
Shareholders' Funds :			
Capital	I	9571.09	9528.83
Employee Stock Options Outstanding	II	129.34	135.43
Reserves & Surplus	III	137215.78	121762.21
		146916.21	131426.47
Loan Funds :			
Secured Loans	IV	446683.32	461352.55
Unsecured Loans	V	74618.22	42897.00
		521301.54	504249.55
TOTAL		668217.75	635676.02
APPLICATION OF FUNDS :			
Intangible Assets	VI	175.18	134.43
Fixed Assets:			
Gross Block		6388.95	5424.01
Less : Depreciation		2853.48	2375.38
Net Block	VII	3535.47	3048.63
Add : Capital Work-In-Progress		33.36	26.17
		3568.83	3074.80
Investments	VIII	10971.10	307.92
Deferred Tax Asset		17875.08	12543.50
(Refer Notes to the Accounts - 20)			
Current Assets, Loans & Advances:			
(a) Sundry Debtors		77.84	94.37
(b) Cash & Bank Balances		27631.27	21528.41
(c) Other Current Assets		253.90	145.97
(d) Loans & Advances		683833.63	664351.83
	IX	711796.64	686120.58
Less: Current Liabilities and Provisions:			
(a) Current Liabilities	X	54952.75	51314.81
(b) Provisions	XI	21216.33	15190.40
		76169.08	66505.21
Net Current Assets		635627.56	619615.37
TOTAL		668217.75	635676.02

The Schedules 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 & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, 22nd April, 2009

V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors

PROFIT & LOSS ACCOUNT

For the year ended March 31, 2009

		Rs.in lacs	
	Schedule	March 2009	March 2008
INCOME :			
Income from Operations	XII	136482.34	120575.45
Other Income	XIII	1983.85	2104.55
TOTAL INCOME		138466.19	122680.00
EXPENDITURE :			
Financial Expenses	XIV	50986.19	45599.53
Employee cost	XV	11728.46	9607.27
Other Expenses	XVI	14076.66	14772.93
Provisions & Write Off's	XVII	28239.04	24628.69
Depreciation & Amortisation	XVIII	872.81	872.78
TOTAL EXPENDITURE		105903.16	95481.20
PROFIT BEFORE TAXATION		32563.03	27198.80
Less : Current tax		16145.00	14324.00
Add/(Less) : Deferred tax		(5331.57)	(5097.43)
Less : Provision for Fringe Benefit Tax		296.60	268.18
Less : Provision for Wealth tax		0.94	1.65
PROFIT AFTER TAXATION		21452.06	17702.40
Add : Balance profit for earlier year		26800.96	19512.15
AMOUNT AVAILABLE FOR APPROPRIATION		48253.02	37214.55
APPROPRIATION :			
General Reserve		2146.00	1771.00
Statutory Reserve		4291.00	3541.00
Proposed Dividend on Equity Shares (Final)		5329.62	4360.52
Corporate Dividend Tax on Equity Shares (Final)		905.77	741.07
Balance Profit carried to Balance Sheet		35580.63	26800.96
		48253.02	37214.55
EARNINGS PER SHARE (Refer Notes to the Accounts - 2):			
(Face Value of Rs.10/- per share) (Rupees)			
Basic		22.46	20.81
Diluted		22.14	18.27
Notes on Accounts	XX		

The Schedules referred to above and attached notes form an integral part of the Profit & Loss Account.
This is the Profit & Loss Account referred to in our report of even date.

For **B. K. KHARE & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, 22nd April, 2009

V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors



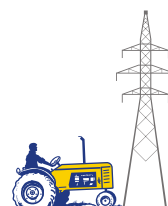
SCHEDULE

		Rs.in lacs	
		March 2009	March 2008
SCHEDULE I - SHARE CAPITAL			
Authorised :			
11,00,00,000 Equity shares of Rs.10/- each (Previous Year 11,00,00,000 shares)		11000.00	11000.00
50,00,000 Redeemable Preference shares of Rs.100/- each (Previous Year 50,00,000 shares)		5000.00	5000.00
Issued Share capital :			
9,69,00,525 Equity shares of Rs.10/- each (Previous Year 9,69,00,525 shares)		9690.05	9690.05
Subscribed and Paid-up :			
9,69,00,525 Equity shares of Rs.10/- each fully paid up (Previous Year 9,69,00,525 shares)		9690.05	9690.05
Less : Shares issued to ESOP Trust but not allotted by it to employees (11,89,666 shares (previous year 16,12,168) issued to ESOS Trust) (Refer Notes to Accounts - 4)		118.96	161.22
TOTAL		9571.09	9528.83
NOTE :- Mahindra & Mahindra Ltd, the Holding Company holds 5,82,41,532 shares as on 31st March, 2009. (Previous year 5,82,41,532 shares)			

		Rs.in lacs	
		March 2009	March 2008
SCHEDULE II - EMPLOYEE STOCK OPTION OUTSTANDING			
A) Employee Stock Option Outstanding :			
Opening Balance		214.96	243.88
Add : Fresh grant of options		52.71	55.29
Less : Amount transferred to Securities premium / Options Lapsed		74.38	84.21
Closing Balance		193.29	214.96
Less :			
B) Deferred Employee Compensation Expenses :			
Opening Balance		79.53	114.98
Add : Fresh grant of options		52.71	55.29
Less : Transfer to Employee Compensation / Options Lapsed		68.28	90.74
Closing Balance		63.96	79.53
TOTAL (A - B)		129.34	135.43

SCHEDULE (contd.)

		Rs.in lacs	
SCHEDULE III - RESERVES & SURPLUS		March 2009	March 2008
Capital Redemption Reserve :			
As per last Balance Sheet		5000.00	5000.00
		5000.00	5000.00
Securities Premium Account:			
As per last Balance Sheet		75231.84	35514.61
Add : Additions during the year		63.67	40385.43
Less : Shares issue expenses		0.00	668.19
		75295.51	75231.84
Less : Shares issued to ESOP Trust but not allotted by it to employees (Refer Notes to the accounts - 4)		487.77	660.99
		74807.75	74570.85
Statutory Reserve:			
As per last Balance Sheet		13321.62	9780.62
Add : Transfer during the year		4291.00	3541.00
		17612.62	13321.62
General Reserve :			
As per last Balance Sheet		2068.78	297.78
Add : Transfer during the year		2146.00	1771.00
		4214.78	2068.78
Balance in Profit & Loss Account		35580.63	26800.96
TOTAL		137215.78	121762.21



SCHEDULE (contd.)

	Rs.in lacs	
	March 2009	March 2008
SCHEDULE IV - SECURED LOANS		
Non-Convertible Debentures (Repayable within a year Rs.122130 lacs; Previous year Rs.183500 lacs) (Secured by pari passu charge over immovable assets and first charge over Loan agreements and relative book debts) (Refer Notes to the Accounts - 25)	227630.00	338000.00
Loans & Advances from Banks		
a) Term Loans (Repayable within a year Rs. 62820 lacs; Previous Year Rs. 33000 lacs) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)	189110.91	92660.00
b) Cash Credit (Repayable fully within a year) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)	29942.41	27752.55
Loans & Advances from Others 8.35% Term Loan from International Finance Corporation (Repayable within a year Rs. Nil; Previous year Rs.2940 lacs) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)	0.00	2940.00
TOTAL	446683.32	461352.55

	Rs.in lacs	
	March 2009	March 2008
SCHEDULE V - UNSECURED LOANS		
Fixed Deposits : (Repayable within a year Rs. 826.40 lacs; Previous Year : Rs. Nil)	7241.22	0.00
Loans & Advances from Subsidiaries: Inter Corporate Deposits (Repayable fully within a year)	2277.00	527.00
Non-Convertible Debentures Non-Convertible Debentures - others (Repayable fully within a year) (Refer Notes to the Accounts - 26)	8000.00	5000.00
Unsecured Bonds (Subordinate Debt) (Repayable within a year Rs. 5000 lacs; Previous Year : Rs. Nil) (Refer Notes to the Accounts - 27)	32100.00	31120.00
Short Term Loans & Advances from Banks : Commercial Paper (Repayable fully within a year)	18500.00	3250.00
Other Loans (Repayable fully within a year)	6500.00	3000.00
TOTAL	74618.22	42897.00

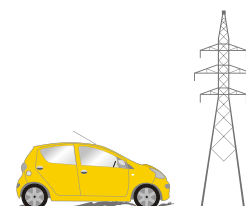
SCHEDULE (contd.)

SCHEDULE VI- INTANGIBLE ASSETS

SCHEDULE VI- INTANGIBLE ASSETS											
Description of Assets	Gross carrying amount as at 1/4/2008	Additions and adjustments during the period at cost	Retirements and disposals	Gross carrying amount as at 31/3/2009	Accumulated amortisation as at 1/4/2008	Amortisation during the period at cost	Deduction and adjustments of amortisation	Accumulated amortisation as at 31/3/2009	Net Balance as at 1/4/2008	Net Balance as at 31/3/2009	Rs.in lacs
Software Expenditure	554.24	171.71	0.00	725.95	419.81	130.96	0.00	550.77	134.43	175.18	
TOTAL	554.24	171.71	0.00	725.95	419.81	130.96	0.00	550.77	134.43	175.18	
As at 31-03-2008	372.12	182.12	0.00	554.24	299.29	120.52	0.00	419.81	72.83	134.43	

SCHEDULE VII - FIXED ASSETS

SCHEDULE VII - FIXED ASSETS										Rs.in lacs
GROSS BLOCK AT COST					DEPRECIATION			NET BLOCK		
Description of Assets	As at 01.04.2008	Additions for Purch/Trf	Deductions for Sale/Trf	As at 31.03.2009	Upto 01.04.2008	For the year / Trf	Deductions / Trf	Upto 31.03.2009	As at 01.04.2008	As at 31.03.2009
Freehold Land	6.96	0.00	0.00	6.96	0.00	0.00	0.00	0.00	6.96	6.96
Premises	108.92	0.00	0.00	108.92	6.94	1.77	0.00	8.71	101.98	100.21
Office Equipments	781.73	316.01	5.46	1092.28	386.68	139.34	4.75	521.27	395.05	571.01
Vehicles	1311.84	637.11	244.10	1704.85	550.01	201.26	199.51	551.76	761.83	1153.09
Furniture	1170.42	110.57	1.51	1279.48	458.39	91.62	0.85	549.16	712.03	730.32
Computers	2044.14	222.74	70.42	2196.46	973.35	307.86	58.63	1222.58	1070.79	973.88
GRAND TOTAL	5424.01	1286.43	321.49	6388.95	2375.38	741.85	263.74	2853.48	3048.63	3535.47
As at 31.03.2008	4390.02	1256.10	222.11	5424.01	1796.52	752.26	173.40	2375.38	2593.50	3048.63



SCHEDULE (contd.)

			Rs. in lacs			
SCHEDULE VIII - INVESTMENT			March 2009		March 2008	
Numbers	Face value per unit	Particulars	Long Term	Current	Long Term	Current
		I - Government Securities:				
		(Quoted)				
	1,00,00,000	\$ (a) 91 Days T-Bills	0.00	98.92	0.00	0.00
	1,00,00,000	\$ (b) 364 Days T-Bills	0.00	95.85	0.00	53.16
		(I)	0.00	194.77	0.00	53.16
		II - Investments in Certificate of Deposits				
		(Quoted)				
10	100,00,000	With Banks	0.00	9521.57	0.00	0.00
		(II)	0.00	9521.57	0.00	0.00
		III- Investments in Equity Shares of Subsidiary Companies :				
		a) Non - trade and fully paid up -				
500,000	10	i) Mahindra Insurance Brokers Limited	54.76	0.00	54.76	0.00
5,000,000	10	ii) Mahindra Rural Housing Finance Limited	500.00	0.00	200.00	0.00
			554.76	0.00	254.76	0.00
35,000,000	10	b) Non - trade and partly paid up - Mahindra Rural Housing Finance Limited (Rs.2/- per share paid up)	700.00	0.00	0.00	0.00
			700.00	0.00	0.00	0.00
		(III)	1254.76	0.00	254.76	0.00
		(I+II+III)	1254.76	9716.34	254.76	53.16
			1254.76	9716.34	254.76	53.16
		TOTAL		10971.10		307.92

\$ - Total Face Value

Note :- Aggregate market value of quoted Investments :

- Government Securities (Treasury Bills) Rs.195.87 lacs
- Investments in Certificate of Deposits with Banks Rs.9521.57 lacs

a) Following are the movements in Government Securities during the year :

Treasury Bills of the face value of Rs.245 Lacs (Previous year Rs. 180 Lacs) were purchased and those of the face value of Rs.100 Lacs (Previous Year Rs. 263.75 Lacs) were sold/redeemed/matured during the year.

SCHEDULE (contd.)

b) Following are the movements in Units during the year:

Sr.no	Name of the Mutual Fund	Acquired		Sold Units
		Units	Rs Lacs	
1	Birla Mutual Fund	859274194	86075.88	859274194
2	Deutsche Mutual Fund	279595849	28015.38	279595849
3	HDFC Mutual Fund	152358145	16205.42	152358145
4	HSBC Mutual Fund	224975892	22510.19	224975892
5	Kotak Mutual Fund	299830883	33746.38	299830883
6	Prudential ICICI Mutual Fund	727656692	73040.72	727656692
7	Reliance Mutual Fund	537184040	107605.06	537184040
8	UTI Mutual Fund	1197957	12116.16	1197957
9	JM Mutual Fund	24963108	2500.43	24963108
10	LIC Mutual Fund	918199560	97624.78	918199560
11	Baroda Pioneer Mutual Fund	10001137	1000.11	10001137
12	Religare Mutual Fund	100053571	10011.77	100053571

SCHEDULE IX - CURRENT ASSETS, LOANS & ADVANCES

[A] Current Assets :

Interest accrued on

- a) Investments
- b) Others

Sundry Debtors: HP and LEASE (Secured)

- a) Debts Outstanding for a period exceeding six months
- b) Other Debts

Less : Provision for Non Performing Assets & Doubtful debts
(Refer Notes to the accounts - 7)

Debtors Considered good

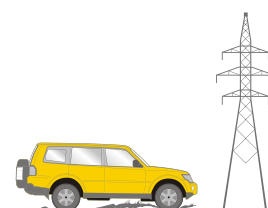
Cash & Bank balances :

- Cash & Cheques on hand
 - Balance with Scheduled Bank in current account
 - Balance with Scheduled Bank in Cash Credit A/c
 - Balance in Unclaimed dividend Bank Account
 - Term Deposits with Scheduled Banks
 - Free of lien
 - Under lien
- (Refer Notes to the Accounts - 15)

Other Current Assets

TOTAL A

Rs. in lacs	
March 2009	March 2008
3.50	1.29
33.88	28.15
741.16	751.80
23.81	43.51
764.97	795.31
687.13	700.94
77.84	94.37
1910.53	2109.33
11284.87	10697.60
296.92	269.32
29.45	23.16
5025.00	7500.00
9084.50	929.00
216.52	116.53
27963.01	21768.75



SCHEDULE (contd.)

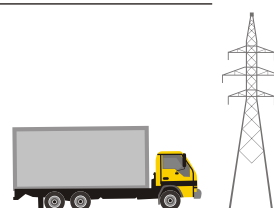
		Rs. in lacs	
		March 2009	March 2008
SCHEDULE IX - CURRENT ASSETS, LOANS & ADVANCES (contd)			
[B] Loans & Advances (Unsecured unless otherwise stated)			
Bills of Exchange		110.13	0.00
Advances recoverable in cash or in kind or for value to be received :			
Trade Advances		22153.00	17778.67
Less : Provision for Non Performing Assets & Doubtful Debts (Refer Notes to the accounts - 7)		356.12	331.80
Advances Considered good		21796.88	17446.87
Inter Corporate Deposits Given		1681.00	1800.00
Less : Provision for Non Performing Assets (Refer Notes to the accounts - 7)		100.00	100.00
Inter Corporate Deposits Considered good		1581.00	1700.00
Deposits for office premises / others		446.55	396.97
Loans against Assets (Secured) (including overdue loans)			
- considered good		614424.21	612272.09
- considered doubtful		67623.18	54394.33
		682047.39	666666.42
Less : Provision for Non Performing Assets & Doubtful debts (Refer Notes to the accounts - 7)		37707.58	26847.70
		644339.81	639818.72
Retained Interest in Securitised Assets		0.00	304.87
Loans and advances (Unsecured)			
- considered good		13734.67	3187.08
- considered doubtful		255.71	120.18
		13990.38	3307.26
Less: Provision for Non Performing Assets & Doubtful Debts (Refer Notes to the accounts - 7)		255.71	120.18
		13734.67	3187.08
Advance payment of tax (net of provisions)		1824.59	1497.32
TOTAL B		683833.63	664351.83
TOTAL (A+B)		711796.64	686120.58

SCHEDULE (contd.)

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE X - CURRENT LIABILITIES		
Sundry Creditors	25495.73	19935.69
Dues to Subsidiary Company	125.01	38.99
Deposits/Advances received against Loan agreements	986.39	1047.42
Amount due to Investors Education and Protection Fund*:		
- Unclaimed Dividend	27.32	21.67
- Unclaimed Debentures	0.00	8.70
- Unclaimed Fixed Deposit Interest	0.00	7.36
Credit balances in Current Accounts with Banks	2343.72	2568.22
Amount Received in advance from ESOS Trust	606.73	822.21
Less : Loan given to the ESOS Trust	455.60	747.20
	151.13	75.01
Other Current Liabilities	12047.13	10938.77
Interest accrued but not due:		
- Loans	13754.94	16651.26
- Others	21.38	21.72
TOTAL	54952.75	51314.81
* There are no amounts outstanding and unpaid to be credited to the Investor Education and Protection Fund.		

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XI - PROVISIONS		
Proposed Dividend	5329.53	4360.52
Corporate Dividend Tax	905.75	741.07
Provision for Estimated Loss/Expenses on Securitisation / Assignments	12738.95	8078.21
Provision for Employee Benefits (Refer Notes to the accounts 13)	2242.10	2010.60
TOTAL	21216.33	15190.40

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XII - INCOME FROM OPERATIONS		
Income from Bills	4.76	20.87
Income from Lease	2.55	2.51
Income from Hire Purchase	172.98	258.28
Income from Loan	125867.00	109494.87
Income from Retained Interest in Securitised Assets	2.12	63.10
Income from Securitisation/Assignment (Refer Notes to the Account - 17)	10432.93	10735.82
TOTAL	136482.34	120575.45



SCHEDULE (contd.)

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XIII - OTHER INCOME		
Profit/Premium on Sale/Redemption of Investment	0.63	2.43
Interest on Government Securities	3.49	7.24
Dividend Received from Investments in Mutual Fund Units	436.82	192.57
Dividend Received from Subsidiary Company	50.00	25.00
Interest on Term Deposits / ICDs	935.46	1353.43
(TDS Rs. 212.71 lacs, previous year Rs.288.30 lacs)		
Profit on Sale / retirement of Owned Assets	5.41	7.03
Income - others	552.04	516.85
TOTAL	1983.85	2104.55

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XIV - FINANCIAL EXPENSES		
Interest on		
- Fixed loans	14374.09	9645.17
- Debentures	31825.20	31951.44
- Others	3732.46	3084.89
Bank Charges	1054.44	918.03
TOTAL	50986.19	45599.53

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XV - EMPLOYEE COST		
Salary, Bonus & Incentives	10678.55	8722.36
Company's Contribution to P.F. & other funds	682.44	545.46
Staff Welfare	309.89	277.50
Employee Compensation Expense on account of ESOS	57.58	61.95
TOTAL	11728.46	9607.27

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XVI - OTHER EXPENSES		
Electricity Charges	367.85	312.39
Rent	1111.03	893.37
Repairs & Maintenance		
- Building	18.08	16.04
- Others	55.01	220.75
Insurance	793.30	309.64
Rates & Taxes	94.10	332.58
Directors Remuneration		
- Fees	2.45	3.15
- Commission	60.12	55.10
Commission & Brokerage	1999.71	3022.95
Legal & Professional Charges	3199.41	2928.01
Auditors Remuneration		
- Audit Fees	17.65	13.48
- Other Services	12.79	21.03
Donations	71.03	78.37
General & Administrative Expenses	6274.13	6566.07
TOTAL	14076.66	14772.93

SCHEDULE (contd.)

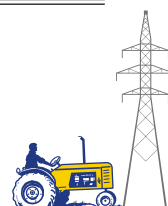
	Rs. in lacs	
SCHEDULE XVII - PROVISIONS & WRITE OFF'S	March 2009	March 2008
Bad Debts & Write offs	17232.68	12603.56
Provision for Non Performing Assets (Refer Notes to the accounts - 7)	11006.36	12025.13
TOTAL	28239.04	24628.69

		Rs. in lacs	
SCHEDULE XVIII - DEPRECIATION & AMORTISATION		March 2009	March 2008
Depreciation		741.85	752.26
Amortisation of Intangible Assets		130.96	120.52
TOTAL		872.81	872.78

SCHEDULE XIX

Schedule to the Balance Sheet of a Non-Banking Financial Company (as required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

Sr. Particulars No.		Rs. in lacs			
		March 2009		March 2008	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
LIABILITIES SIDE					
1)	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid :				
a)	Debtentures : Secured	227630.00	0.00	338000.00	0.00
	: Unsecured (other than falling within the meaning of public deposits)	8000.00	0.00	5000.00	0.00
b)	Deferred Credits	29942.41	0.00	27752.55	0.00
c)	Term Loans	189110.91	0.00	95600.00	0.00
d)	Inter-corporate loans and Other Borrowings	2277.00	0.00	527.00	0.00
e)	Commercial Paper	18500.00	0.00	3250.00	0.00
f)	Public Deposits *****	7298.25	0.00	9.26	0.00
g)	FCNR Loans	0.00	0.00	0.00	0.00
h)	Subordinate debt	32100.00	0.00	31120.00	0.00
i)	Application Money received towards Subordinated Debt Issue	0.00	0.00	0.00	0.00
j)	Other Short Term Loans and credit facilities from banks	6500.00	0.00	3000.00	0.00
2)	Break-up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)				
a)	In the form of Unsecured debtentures	0.00	0.00	9.26	0.00
b)	In the form of partly secured debtentures i.e., debtentures where there is a shortfall in the value of security	0.00	0.00	0.00	0.00
c)	Other public deposits *****	7298.25	0.00	0.00	0.00



SCHEDULE (contd.)

Sr. Particulars No.		Rs. in lacs	
		March 2009	March 2008
ASSET SIDE		Amount Outstanding	Amount Outstanding
3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below]		
a)	Secured	0.00	0.00
b)	Unsecured	37222.68	22333.95
4)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities		
i)	Lease assets including lease rentals under sundry debtors :		
a)	Financial lease	169.21	212.33
b)	Operating lease	0.00	0.00
ii)	Stock on hire including hire charges under sundry debtors :		
a)	Assets on hire	77.84	94.37
b)	Repossessed Assets	0.00	0.00
iii)	Other loans counting towards AFC activities :		
a)	Loans where assets have been repossessed	6632.05	6250.09
b)	Loans other than (a) above	637707.76	633873.50
5)	Break-up of Investments :		
	Current Investments :		
I.	Quoted :		
i)	Shares : a) Equity		
	b) Preference		
ii)	Debentures and Bonds		
iii)	Units of mutual funds	0.00	0.00
iv)	Government Securities	194.77	53.16
v)	Investments in Certificate of Deposits with Banks	9521.57	0.00
2.	Unquoted :		
i)	Shares : a) Equity		
	b) Preference		
ii)	Debentures and Bonds		
iii)	Units of mutual funds		
iv)	Government Securities		
	Long Term Investments :		
I.	Quoted :		
i)	Shares : a) Equity		
	b) Preference		
ii)	Debentures and Bonds		
iii)	Units of mutual funds		
iv)	Government Securities		

SCHEDULE (contd.)

Sr. No.	Particulars	Rs. in lacs	
		March 2009	March 2008
		Amount Outstanding	Amount Outstanding
2.	Unquoted : i) Shares : a) Equity b) Preference ii) Debentures and Bonds iii) Units of mutual funds iv) Government Securities	1254.76	254.76

6) Borrower group-wise classification of assets financed as in (3) and (4) above :

Category	March 2009			March 2008		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
a) Subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00
b) Companies in the same group	0.00	0.00	0.00	0.00	0.00	0.00
c) Other related parties	0.00	0.00	0.00	0.00	0.00	0.00
2. Other than related parties	644417.65	37222.68	681640.33	640217.96	22333.95	662551.91
TOTAL	644417.65	37222.68	681640.33	640217.96	22333.95	662551.91

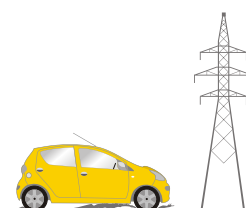
7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Category	March 2009		March 2008	
	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	1254.76	1254.76	254.76	254.76
b) Companies in the same group				
c) Other related parties				
2. Other than related parties	9716.34	9716.34	53.16	53.16
TOTAL	10971.10	10971.10	307.92	307.92

8) Other information

Particulars	Rs. in lacs	
	March 2009	March 2008
	Amount	Amount
i) Gross Non Performing Assets:		
a) Related parties	0.00	0.00
b) Other than related parties	69087.52	55719.80
ii) Net Non-Performing Assets :		
a) Related parties	0.00	0.00
b) Other than related parties	19431.52	20533.34
iii) Assets acquired in satisfaction of debt :		

***** Represents unclaimed deposit & interest thereon in respect of which the company is yet to receive instructions for repayment / renewal from the depositors .





SCHEDULE (contd.)

SCHEDULE XX - NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

SIGNIFICANT ACCOUNTING POLICIES (SAP):

1) Basis for Preparation of Accounts:

The accounts have been prepared to comply in all the material aspects with (a) applicable accounting principles in India, (b) the Accounting Standards issued by the Institute of Chartered Accountants of India and (c) relevant provisions of the Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies.

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 statement 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:

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, fee based income and Interest on Trade advance, which on account of uncertainty of ultimate collection are accounted on receipt basis. Also in accordance with the guidelines issued by the Reserve Bank of India for Non Banking Finance Companies, income on business assets classified as non-performing assets, is recognised on receipt basis.

ii. Income from Loan:

Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.

iii. Income from Subvention/Service/Document Charges:

Subvention received from dealers/manufacturers on retail cases is booked over the period of the contract. However, service charges & documentation charges are booked at the commencement of the contract.

iv. Income from Assignment / Securitisation:

In case of assignment of receivables the assets are derecognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser. On de-recognition, the difference between book value of the receivables assigned and consideration received as reduced by the estimated provision for loss/expenses & incidental expenses related to the transaction is recognised as gain or loss arising on assignment.

Income on Retained Interest in Securitised Assets is booked on accrual basis.

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.

4) Fixed Assets:

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation. Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP) (contd)

5) Depreciation:

- i. Depreciation on fixed assets, other than repossessed assets capitalised for own use, is charged using Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 except for:
 - a) Office equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
 - b) Assets costing less than Rs.5000/- are fully depreciated in the year of purchase and
 - c) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.
- ii. Repossessed assets that have been capitalised for own uses are depreciated @ 15% using the Straight Line Method over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming a part of 'Owned Assets'.

6) Foreign Exchange Transactions:

All assets and liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end, except those covered by forward exchange contracts which are translated at contracted rates, where the difference between the contracted rate and the spot rate on the date of the transaction is charged to Profit and Loss Account over the period of the contract.

In case of the current assets, current liabilities and long term liabilities the exchange differences are recognised in the Profit and Loss account.

7) Investments:

In terms of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value which ever is less.

8) Loans against assets:

Loan against assets are stated at agreement value net of instalments received less un-matured finance charges.

9) Employee benefits:

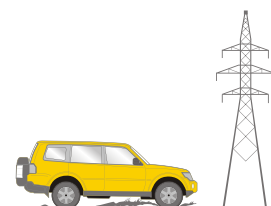
Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

a) Defined Contribution Plans-

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are recognised in the Profit and loss Account.

b) Defined Benefit Plan -

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate





SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP) (contd)

that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- c) Liability on account of encashment of leave to employees is considered as short term compensated expense provided at actuals.

10) Borrowing Cost:

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. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

11) Lease Hold Improvements:

Expenditure incurred on improvements to leasehold premises is classified into Capital and Revenue. Addition of assets are capitalised under Fixed Assets and balance expenditure, if any, is debited to Profit & Loss Account.

12) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, 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. 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.

13) Intangible Assets:

All intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

Software expenses are treated as an intangible asset and amortized over the useful life of the asset. The maximum period for such amortization is 36 months.

14) Miscellaneous Expenditure:

a) Preliminary Expenses:

Preliminary expenses are charged to profit and loss account in the year of incurrence.

b) Share Issue Expenses:

Expenses incurred in connection with fresh issue of share capital are either charged to Profit & Loss Account or adjusted against Securities Premium account in the year in which they are incurred.

15) Impairment of Assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP) (contd)

16) Provisions & Contingent Liabilities:

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

17) Derivatives:

The hedging contracts comprise of interest rate swap undertaken to hedge interest rate risk on certain liabilities. These hedges are accounted for like the underlying liabilities. The net interest payable is accounted on accrual basis over the life of the swap.

18) 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. Compensation expense is amortized over the vesting period of the option on a straight line basis.

NOTES TO THE ACCOUNTS:

- 1) During the year, the Company has granted 2,81,137 Options to the eligible employees under the Employee Stock Option Scheme (ESOS) of the company. The details of the Employee Stock Option Scheme are :

Particulars	Grant dated 18th September, 2008
Type of Arrangement	Employee Share-Based Payment Plan administered through Employee Stock Option Trust.
Number of Options Granted	2,81,137
Contractual life	Options will lapse if not exercised within 6 years from the date of grant i.e. 18th September, 2008.
Exercise Price	Rs. 233/- per share
Method of Settlement	By Issue of Shares at Exercise Price
Vesting Conditions	35% 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 36 months from the date of grant ;
	10% On expiry of 48 months from the date of grant ;
	10% On expiry of 60 months from the date of grant ;

The company has adopted intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares is based on the latest available closing market price, prior to the date of meeting of the board of directors in which the options were granted, on the stock exchange in which the shares of the company are listed. The difference between the intrinsic value & the exercise price is being amortised as employee compensation cost over the vesting period. The details of the same are given here under:



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

Particulars	Grant dated 18th September, 2008
Intrinsic Value of shares based on latest available closing market price	Rs. 251.75
Total Amount to be amortized over the vesting period	Rs. 52.71 Lacs
Charge to Profit & Loss Account for the year	Rs. 17.92 Lacs
Compensation in respect of lapsed cases	Rs. 0.35 Lacs
Unamortized Amount Carried Forward	Rs. 34.44 Lacs

The fair value of options, based on the valuation of the independent valuer as of date of grant are :

Vesting period in years	Grant dated 18th September, 2008	
	Expected Vesting	Fair Value (Rs.)
1	98401	} 108.80
2	70301	
3	56226	
4	28141	
5	28068	
	281137	

The Fair Value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	Grant dated 18th September, 2008
Risk free interest rate	8.20%
Expected life	4.18 Years
Expected volatility	43.66%
Expected dividend yield	1.64%
Exercise price	233.00
Stock price	252.45

- 2) 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	
	March 2009	March 2008	March 2009	March 2008
A Net Profit After Tax (Rs. in lacs)	21452.06	17702.40	21214.69	17588.15
B Weighted Average number of Equity Shares of Rs.10/- each (Basic)	95492881	85083686	95492881	85083686
C Weighted Average number of Equity Shares of Rs.10/- each (Diluted)	96900525	96900525	96900525	96900525
D Basic Earning per Share (Rs.)	22.46	20.81	22.22	20.67
E Diluted Earning per Share @ (Rs.)	22.14	18.27	21.89	18.15

@ Dilution in Earning per share is on account of 11,89,666 Equity shares (Previous year : 16,12,168 equity shares) held with the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

- 3) The Company had allotted 26,86,550 Equity shares on 6th December 2005, to Mahindra and Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company.

The Stock Options granted would vest in an Eligible Employee in five (5) instalments at specified dates from the date of the grant and are exercisable in 5 tranches within six (6) years from the date of grant.

The compensation costs of stock options granted to employees are accounted by the Company using the intrinsic value method.

Summary of Stock Options	No. of stock options	Weighted Average Exercise Price (Rs)
Options outstanding on 1st April, 2008	13,90,032	96.92
Options granted during the year	2,81,137	233.00
Options forfeited/lapsed during the year	70,528	69.69
Options exercised during the year	4,22,502	53.82
Options outstanding on 31st March, 2009	11,78,139	146.48
Options vested but not exercised on 31st March, 2009	3,33,053	113.47

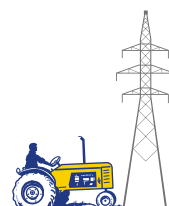
Average Share price at recognised stock exchange (NSE) on the date of exercise of the option are as under:

Date of Exercise	Average Share Price (Rs)
07th April, 2008	259.47
09th April, 2008	259.83
25th April, 2008	276.90
20th August, 2008	244.01
11th September, 2008	248.96
29th December, 2008	222.71
09th January, 2009	246.76
30th January, 2009	194.74
20th March, 2009	216.21
26th March, 2009	200.62

Information in respect of options outstanding as at 31st March, 2009

Exercise price	No. of Options	Weighted average remaining life
Rs. 51.00	5,91,838	32 months
Rs. 211.00	1,72,283	51 months
Rs. 304.00	1,34,770	59 months
Rs. 233.00	2,79,248	65 months

- 4) As per Guidance note issued by the Chartered Accountants of India on "Accounting for Employee Share-based payment" which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, Company has reduced the Share Capital by Rs.118.96 lacs (Previous year: Rs.161.22 lacs), Securities Premium by Rs. 487.77 lacs (Previous year: Rs.660.99 lacs) for the 11,89,666 shares (Previous year: 16,12,168 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.
- 5) The holding company, Mahindra & Mahindra Limited, has incurred a cost of Rs. 0.63 lacs - (Previous year: Rs.0.83 lacs) under Employee Stock Options (ESOS) to employees of the Company.



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

- 6) The Company has during the year invested an amount of Rs. 1000.00 lacs in the equity shares of Mahindra Rural Housing Finance Ltd., its subsidiary company.
- 7) The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India. The Company also makes additional provision on a prudential basis. The cumulative additional provision made by the Company as on 31st March, 2009 is Rs. 19527.19 lacs (Previous year: Rs. 17504.68 lacs).
- 8) Bad debts & 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.
- 9) Commission & Brokerage represents amount incurred in respect of acquisition of customers.
- 10) The company has single reportable segment namely financial services for the purpose of Accounting Standard 17 on Segment Reporting.
- 11) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.
- 12) Current Liabilities include Deposits/Advances received on account of Lease/Hire Purchase/Loan, which are repayable/adjusted over the period of the contract.

13) Employee Benefits:

Defined Benefit Plans - As per Actuarial valuation :

Gratuity (funded)

Particulars

Rs. in lacs

March 2009

March 2008

I. Expense recognized in the Statement of Profit & Loss Account for the year ended 31st March

1 Current service cost	227.32	157.97
2 Interest cost	19.19	13.20
3 Expected return on plan assets	(15.91)	(2.30)
4 Actuarial (Gains)/Losses	(176.62)	(77.90)
5 Total expense	53.97	90.97

II. Net asset/(liability) recognized in the Balance Sheet as at 31st March

1 Present Value of Defined Benefit obligation as at 31st March	256.67	205.93
2 Fair value of plan assets as at 31st March	208.07	167.28
3 Funded status (surplus/(deficit))	(48.60)	(38.65)
4 Net asset/(liability) as at 31st March	(48.60)	(38.65)

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd) Particulars	Rs. in lacs	
	March 2009	March 2008
III. Change in the obligations during the year ended 31st March		
1 Present Value of Defined Benefit obligation at the beginning of the year	205.93	139.78
2 Current service cost	227.31	157.97
3 Interest cost	19.20	13.20
4 Actuarial (Gains)/Losses	(176.62)	(83.48)
5 Benefits paid	(19.15)	(21.54)
6 Present Value of Defined Benefit obligation at the end of the year	256.67	205.93
IV. Change in the fair value of plan assets during the year ended 31st March		
1 Fair value of plan assets at the beginning of the year	149.48	94.61
2 Expected return on plan assets	15.89	(2.30)
3 Contributions by employer	73.55	90.93
4 Actuarial (Gains)/Losses	(11.72)	5.58
5 Actual Benefits paid	(19.16)	(21.54)
6 Fair value of plan assets at the end of the year	208.04	167.28
V. Major category of plan assets as a percentage of total plan		
Funded with LIC	100%	100%
Others		
VI. Actuarial Assumptions		
1 Discount Rate	8% p.a.	8% p.a.
2 Expected Rate of return on plan assets	8% p.a.	8% p.a.
3 Rate of Salary Increase	5% p.a.	5% p.a.
4 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

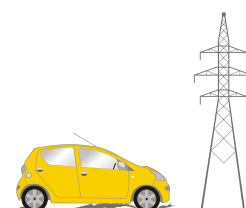
14) Disclosure on Derivatives :

- There were 14 Derivative instruments (Previous year: 14) for hedging interest rate risk outstanding as on 31st March, 2009.
- All the instruments are for hedging interest rate risk.
- There was an unhedged exposure of Japanese Yen (JPY) of Rs. Nil (Previous year: (JPY) of 7.99 lacs, i.e. Rs. 3.20 lacs) on account of cross currency interest swap.

- 15) Term Deposits include Rs. 9079.00 lacs (Previous year: Rs.929.00 lacs) maintained as cash collateral deposits in accordance with the securitisation / assignment transactions and Rs.5.50 lacs (Previous year: Rs. Nil) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suites filed by the company.

16) Expenditure in Foreign Currency :

- On Foreign Travel Rs.5.31 lacs (Previous year: Rs 27.25 lacs)
On Membership and Subscriptions Rs. Nil (Previous year: Rs 0.12 lacs)
Other Expenses Rs.108.48 Lacs (Previous year: Rs.1.17 lacs)



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

- 17) a) During the year, the company has without recourse assigned loan receivables of 32083 (Previous year: 24425) contracts amounting to Rs. 103622.61 lacs (Previous year: Rs.80985.74 lacs) (including future interest receivable) for a consideration of Rs. 91511.30 lacs (Previous year: Rs. 73030.94 lacs) and de-recognised the assets from the books. The income booked in respect of assignment of receivables includes certain amount towards cost of future servicing of the assigned pool and an appropriate amount has been provided towards expenditure for future services. On assignment of receivables income recognised upfront for the current year is Rs.15195.48 lacs (Previous year: Rs.13345.14 lacs) against which a provision for estimated loss/expenses of Rs.5427.49 lacs (Previous year: Rs.3260.25 lacs) is made.
- b) During the year, the provision in respect of securitisation / assignment transactions amounting to Rs. 766.76 lacs (Previous year: Rs.684.15 lacs) considered no longer necessary has been written back.
- 18) During the year, the company has acquired (a) with recourse financial portfolio of Rs.12186.85 lacs (Previous year: Rs. Nil) from Group companies for a consideration of Rs.10000.00 lacs (previous year: Rs. Nil) and (b) without recourse portfolio of Rs.15432.48 lacs (Previous year: Rs. Nil) for a consideration of Rs.13550.55 lacs (previous year: Rs. Nil) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the company and interest income booked on these portfolios is Rs.81.08 lacs. The Company has received cash collateral amounting to Rs.5373.49 lacs (previous year: Rs. Nil) against these assignments.

19) Related Party Disclosure as per Accounting Standard 18:

List of the related parties which has transaction with our Company during the year:

Holding Company :	Mahindra & Mahindra Limited
Subsidiary Company :	Mahindra Insurance Brokers Limited
	Mahindra Rural Housing Finance Limited
Fellow subsidiary Companies :	As per list given below
Mahindra First Choice Wheels Limited (formerly known as First Choice Wheels Ltd)	Mahindra Navistar Automotives Ltd (formerly known as Mahindra International Ltd)
Mahindra USA, Inc	Mahindra Intertrade Limited
Mahindra Renault Pvt. Ltd.	Mahindra First Choice Services Limited
Punjab Tractors Ltd.	Mahindra Holidays & Resorts Ltd
Key Management Personnel:	Mr. Ramesh Iyer (Managing Director)

Related Parties transactions are as under:

Sr. No.	Nature of transactions	Rs. in lacs			
		Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Key Management Personnel
1	Income				
	Hire Purchase / Lease / Loan income	529.77	-	65.12	-
		(397.77)	-	(38.54)	-
	Other income	-	134.86	40.18	-
		-	(37.45)	(37.78)	-
2	Expenses				
	Interest	524.19	66.48	2.65	-
		(258.07)	(27.28)	-	-

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

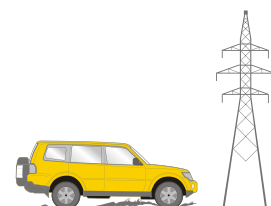
ES TO THE ACCOUNTS: (contd)

Rs. in lacs

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Key Management Personnel
	Other Expenses	127.83	1016.50	1.51	118.57
		(105.24)	(734.46)	-	(92.89)
3	Purchase of equity shares	-	1000.00	-	-
		-	(200.00)	-	-
4	Purchase of Fixed Assets	243.54	-	6.09	-
		-	-	-	-
5	Finance				
	Unsecured Bonds placed (including interest accrued)	2009.45	-	-	-
		(2009.02)	-	-	-
	NCD Issued	-	-	-	-
		(1046.29)	-	-	-
	Dividend paid - for previous year	2620.87	-	-	2.70
		(1164.83)	-	-	(0.70)
	Inter Corporate Deposits taken (including interest accrued but not due)	1561.30	805.54	-	-
		-	(537.17)	-	-
	Inter Corporate Deposits given (including interest accrued but not due)	-	1595.42	-	-
		-	-	(1504.42)	-
6	Stock Options	-	-	-	5.61
		-	-	-	(4.69)
7	Other Transactions				
	Reimbursement to parties	-	-	60.32	-
		-	-	-	-
	Reimbursement from parties	-	0.61	-	-
		-	(56.06)	(0.52)	-
8	Outstanding				
	Receivables	60.44	13.62	9858.72	-
		(43.71)	(16.96)	(27.08)	-
	Payables	30.51	138.63	37.38	-
		(31.37)	(55.95)	-	-

Figures in bracket represent corresponding figures of previous financial year.

- 20) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the company has accounted for Deferred Asset/Liability. The break up of the deferred tax asset as on 31st March, 2009 of Rs. 17875.08 lacs (Previous year: Rs. 12543.50 lacs) is as under :



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

Particulars	Rs. in lacs	
	Deferred Tax Asset / (Liability) - March 2009	Deferred Tax Asset / (Liability) - March 2008
Provision for Non Performing Assets	17534.39	12209.15
Depreciation	(71.40)	(43.85)
Other Disallowances	412.09	378.20
TOTAL	17875.08	12543.50

21) Contingent Liability not provided for :

- Taxation matters: Demands against the Company not acknowledged as debts and not provided for, relating to issues of deductibility and taxability in respect of which the Company is in appeal, and exclusive of the effect of similar matters in respect of assessments remaining to be completed:
Income tax: Rs. 4478.28 lacs (Previous year: Rs. 2316.29 lacs). These demands are met to the extent of Rs. 2070.22 lacs (Previous year: Rs. 1504.61 lacs), part by payment and part by adjustment against refunds due to the company.
- The Company has given a performance guarantee in respect of which the Company stands fully indemnified for the loss if any which would be incurred on failure, if any, to perform the guaranteed act for Rs. 200 lacs. (Previous year: Rs. 200 lacs)
- Estimated amount of contracts remaining to be executed on Capital account Rs. 94.31 lacs (Previous year: Rs. 145.74 lacs)
- Corporate undertaking on Securitization/assignment Rs. 45820.20 lacs (Previous year: Rs. 30822.15 lacs).
- Legal Suites filed by the customers in Consumer Forums and Civil courts claiming compensation against company amounting to Rs. 1483.83 lacs (Previous year: Rs. 1369.88 lacs).

22) The company has no debentures issued to the public as at 31st March, 2009, hence no amount has been credited to the Debenture Redemption Reserve account during the current year.

23) There are no dues payable to Small Scale industrial undertakings in view of the nature of the business of the Company.

24) Suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 have not furnished the information regarding filing of necessary memorandum with appointed authority. In view of this, information required under Schedule VI of the Companies Act, 1956 to that extent is not given.

25) Secured Non-Convertible Debentures :

Date of Allotment	Amount Rs. in lacs as on 31/03/2009	Amount Rs. in lacs as on 31/03/2008	Earliest Redemption Date
16-May-05	0	15000	1096 days from date of allotment
24-May-05	0	5000	1096 days from date of allotment
24-May-05	0	5000	1096 days from date of allotment
15-Jun-05	0	2000	1096 days from date of allotment
14-Jun-05	0	5000	1096 days from date of allotment
24-Aug-05	0	2500	1096 days from date of allotment
24-Aug-05	0	5000	1096 days from date of allotment
24-Aug-05	0	2500	1096 days from date of allotment

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

Date of Allotment	Amount Rs. in lacs as on 31/03/2009	Amount Rs. in lacs as on 31/03/2008	Earliest Redemption Date
20-Oct-05	0	2500	1096 days from date of allotment
20-Oct-05	0	2500	1096 days from date of allotment
10-Nov-05	0	10000	914 days from date of allotment
11-Nov-05	0	1000	913 days from date of allotment
11-Nov-05	0	1000	913 days from date of allotment
11-Nov-05	0	500	913 days from date of allotment
03-Jan-06	0	15000	1098 days from date of allotment
10-Jan-06	0	7500	1098 days from date of allotment
19-Apr-06	0	2000	931 days from date of allotment
24-Apr-06	500	500	1096 days from date of allotment
24-Apr-06	200	200	1096 days from date of allotment
24-Apr-06	0	1000	945 days from date of allotment
24-Apr-06	0	500	945 days from date of allotment
24-Apr-06	3000	3000	1120 days from date of allotment
25-Apr-06	0	11500	741 days from date of allotment
05-Jun-06	0	5500	731 days from date of allotment
06-Jun-06	0	500	730 days from date of allotment
14-Jun-06	0	2500	733 days from date of allotment
19-Jun-06	0	5000	731 days from date of allotment
20-Jun-06	0	2000	731 days from date of allotment
22-Jun-06	0	2500	732 days from date of allotment
10-Jul-06	1000	1000	1096 days from date of allotment
27-Jul-06	0	2500	732 days from date of allotment
31-Jul-06	0	5000	731 days from date of allotment
31-Jul-06	0	500	731 days from date of allotment
25-Aug-06	10000	10000	1826 days from date of allotment
29-Aug-06	0	1000	731 days from date of allotment
04-Sep-06	0	2500	798 days from date of allotment
15-Sep-06	0	1000	731 days from date of allotment
15-Sep-06	0	1000	731 days from date of allotment
15-Sep-06	0	2500	731 days from date of allotment
15-Sep-06	0	1500	731 days from date of allotment
15-Sep-06	5000	5000	934 days from date of allotment
16-Nov-06	0	2500	732 days from date of allotment
17-Nov-06	0	1000	563 days from date of allotment
17-Nov-06	0	1000	564 days from date of allotment
24-Nov-06	0	4000	608 days from date of allotment
24-Nov-06	0	1000	608 days from date of allotment
24-Nov-06	0	1000	731 days from date of allotment
29-Nov-06	0	3000	733 days from date of allotment
04-Dec-06	0	3500	731 days from date of allotment
04-Dec-06	0	1500	731 days from date of allotment



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

Date of Allotment	Amount Rs. in lacs as on 31/03/2009	Amount Rs. in lacs as on 31/03/2008	Earliest Redemption Date
21-Dec-06	0	2500	484 days from date of allotment
18-Dec-06	0	1500	513 days from date of allotment
22-Dec-06	0	100	479 days from date of allotment
22-Dec-06	0	1400	479 days from date of allotment
02-Jan-07	0	1000	517 days from date of allotment
26-Feb-07	0	2500	731 days from date of allotment
15-Mar-07	0	3500	642 days from date of allotment
20-Mar-07	0	5000	398 days from date of allotment
21-Mar-07	0	2000	440 days from date of allotment
21-Mar-07	0	3000	440 days from date of allotment
03-May-07	0	10000	489 days from date of allotment
15-May-07	500	500	730 days from date of allotment
16-May-07	1000	1000	730 days from date of allotment
21-May-07	2500	2500	731 days from date of allotment
21-May-07	75	75	695 days from date of allotment
21-May-07	2500	2500	731 days from date of allotment
24-May-07	500	500	732 days from date of allotment
24-May-07	1000	1000	732 days from date of allotment
28-May-07	2425	2425	688 days from date of allotment
28-May-07	1300	1300	911 days from date of allotment
01-Jun-07	1000	1000	731 days from date of allotment
01-Jun-07	400	400	731 days from date of allotment
01-Jun-07	300	300	731 days from date of allotment
01-Jun-07	300	300	731 days from date of allotment
20-Jun-07	5000	5000	733 days from date of allotment
22-Jun-07	5000	5000	731 days from date of allotment
29-Jun-07	5000	5000	644 days from date of allotment
16-Jul-07	5000	5000	731 days from date of allotment
18-Jul-07	5000	5000	733 days from date of allotment
28-Aug-07	500	500	731 days from date of allotment
28-Aug-07	2000	2000	731 days from date of allotment
11-Sep-07	5000	5000	731 days from date of allotment
12-Sep-07	2000	2000	733 days from date of allotment
12-Sep-07	500	500	733 days from date of allotment
14-Sep-07	5000	5000	731 days from date of allotment
21-Sep-07	2500	2500	745 days from date of allotment
25-Sep-07	10000	10000	731 days from date of allotment
28-Sep-07	10000	10000	741 days from date of allotment
28-Sep-07	2500	2500	556 days from date of allotment
28-Sep-07	10500	10500	739 days from date of allotment
11-Oct-07	1000	1000	1096 days from date of allotment
25-Oct-07	4600	4600	732 days from date of allotment

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

Date of Allotment	Amount Rs. in lacs as on 31/03/2009	Amount Rs. in lacs as on 31/03/2008	Earliest Redemption Date
25-Oct-07	400	400	732 days from date of allotment
25-Oct-07	5000	5000	1096 days from date of allotment
26-Oct-07	2500	2500	1096 days from date of allotment
05-Nov-07	50	50	1103 days from date of allotment
12-Nov-07	4950	4950	1096 days from date of allotment
15-Nov-07	700	700	547 days from date of allotment
15-Nov-07	1800	1800	547 days from date of allotment
28-Nov-07	500	500	733 days from date of allotment
28-Nov-07	7500	7500	733 days from date of allotment
30-Nov-07	6000	6000	731 days from date of allotment
05-Dec-07	2000	2000	1827 days from date of allotment
14-Jan-08	5000	5000	1463 days from date of allotment
14-Jan-08	2500	2500	1096 days from date of allotment
14-Jan-08	1000	1000	1096 days from date of allotment
02-May-08	1000	0	731 days from date of allotment
06-May-08	1000	0	730 days from date of allotment
06-May-08	2500	0	730 days from date of allotment
08-Jul-08	20000	0	1825 days from date of allotment
08-Aug-08	1500	0	455 days from date of allotment
05-Sep-08	15000	0	1826 days from date of allotment
11-Sep-08	1500	0	581 days from date of allotment
26-Sep-08	500	0	1826 days from date of allotment
15-Oct-08	30	0	366 days from date of allotment
24-Oct-08	10000	0	1095 days from date of allotment
27-Oct-08	20000	0	2191 days from date of allotment
14-Nov-08	10	0	366 days from date of allotment
14-Nov-08	10	0	366 days from date of allotment
14-Nov-08	10	0	366 days from date of allotment
14-Nov-08	10	0	366 days from date of allotment
14-Nov-08	10	0	366 days from date of allotment
26-Dec-08	50	0	367 days from date of allotment
TOTAL	227630	338000	

Of the above, NCDs issued to Banks Rs. 16500 lacs (Previous year: Rs. 40990 lacs) and Others Rs. 211130 lacs (Previous year: Rs. 297010 lacs).



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

26) Unsecured Non-Convertible Debentures :

Date of Allotment	Amount Rs. in lacs as on 31/03/2009	Amount Rs. in lacs as on 31/03/2008	Earliest Redemption Date
31-Mar-08	0	5000	88 days from date of allotment
31-Mar-09	1900	0	87 days from date of allotment
31-Mar-09	5000	0	87 days from date of allotment
31-Mar-09	1100	0	87 days from date of allotment
TOTAL	8000	5000	

Of the above, NCDs issued to Banks Rs. Nil (Previous year: Rs. Nil) and Others Rs. 8000 lacs (Previous year: Rs.5000 lacs)

27) Unsecured Bonds (Subordinate Debt) :

Date of Allotment	Amount Rs. in lacs as on 31/03/2009	Amount Rs. in lacs as on 31/03/2008	Earliest Redemption Date
08-Mar-04	5000	5000	2010 days from date of allotment
03-Sep-04	4000	4000	2068 days from date of allotment
26-Oct-04	4000	4000	2008 days from date of allotment
15-Jun-05	5000	5000	2145 days from date of allotment
06-Dec-06	3140	3140	2007 days from date of allotment
11-May-07	2500	2500	3653 days from date of allotment
17-Apr-07	400	400	3653 days from date of allotment
13-Jun-07	1480	1480	3631 days from date of allotment
26-Jul-07	2500	2500	3653 days from date of allotment
28-Sep-07	1270	1270	3589 days from date of allotment
15-Oct-07	130	130	2039 days from date of allotment
24-Oct-07	1000	1000	2039 days from date of allotment
14-Dec-07	700	700	2010 days from date of allotment
17-Oct-08	980	0	3652 days from date of allotment
TOTAL	32100	31120	

Of the above, Unsecured bonds issued to Banks Rs.15440 lacs (Previous year: Rs.17920 lacs) and Others Rs.16660 lacs (Previous year: Rs. 13200 lacs).

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd)

28) Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956 for the year ended on 31st March, 2009.

	Rs. in lacs	
	Financial Year 2008 - 2009	Financial Year 2007 - 2008
Profit before Taxation as per Profit and Loss Account	32563.03	27198.80
Add : Depreciation charged in the Account	741.85	752.26
Directors' Remuneration including Directors' fees	167.45	142.32
Provision for non-performing assets (Net)	11006.36	12025.13
Estimated Loss on Assignments	4104.99	2394.67
Provision for expenses on Assignments	555.74	181.44
	16576.39	15495.82
	49139.42	42694.62
Less : Depreciation u/s 350 of the Companies Act, 1956	741.85	752.26
Profit on sale, etc. of Fixed Assets (Net)	5.41	7.03
Profit / Premium on Sale / Redemption of Long Term Investments	0.63	2.43
	747.89	761.72
TOTAL	48391.53	41932.90
Commission payable to the whole time Directors @ 0.25%	27.07	23.10
Commission payable to the non-whole time Directors @ 1%	33.05	32.00

29) Previous years figures have been regrouped whenever found necessary.

Signature to Schedule I to XX

For **B. K. KHARE & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, 22nd April, 2009

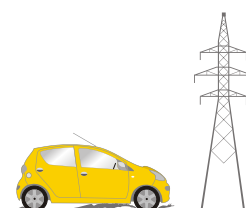
V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors



CASH FLOW STATEMENT

		Rs. in lacs	
		March 2009	March 2008
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes and contingencies		32563.03	27198.80
Add/(Less):			
Non Cash Expenses:			
Depreciation		741.85	752.26
Amortisation on Intangible Assets		130.96	120.52
Provision for non-performing assets (net)		11006.36	12025.13
Employee Compensation Expense on account of ESOS		57.58	61.95
		11936.75	12959.86
Add/(Less):			
Income considered separately:			
Income on investing activities		(490.31)	(224.81)
(Profit)/Loss on sale of assets		(5.41)	(7.03)
(Profit)/Loss on sale of Investment		(0.63)	(2.43)
Income from Assignments		(10534.75)	(10769.02)
		(11031.10)	(11003.29)
Operating profit before working capital changes	(I)	33468.68	29155.37
Less:			
(Increase)/Decrease in interest accrued others		(5.73)	45.12
(Increase)/Decrease in Trade receivables		29.90	136.28
(Increase)/Decrease in Loans & Advances		(106590.07)	(148503.96)
		(106565.90)	(148322.56)
Add: Increase in Current liabilities		3869.44	4612.25
	(II)	(102696.46)	(143710.31)
Cash generated from operations	(I+II)	(69227.78)	(114554.94)
Advance taxes paid		(16769.81)	(15722.92)
NET CASH FROM OPERATING ACTIVITIES	(A)	(85997.59)	(130277.86)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(1293.62)	(1149.66)
Sale of Fixed Assets		63.16	55.74
Purchase of Investments		(10716.34)	(253.16)
Sale of Investments		53.79	2638.88
Purchase of Software		(171.71)	(182.12)
Income received on investments		488.10	226.47
NET CASH FROM INVESTING ACTIVITIES	(B)	(11576.62)	1336.15
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares (net of issue expenses)		215.48	40940.26
Increase/(Decrease) in Bank borrowings (net)		2189.86	(18144.67)
Increase/(Decrease) in Long Term Borrowings (net)		(112330.00)	37390.00
Increase/(Decrease) in Short Term Borrowings (net)		119950.91	(4123.21)
Increase/(Decrease) in Fixed Deposits (net)		7241.22	(365.41)
Proceeds from Assignments		83355.80	74778.94
Dividend paid		(5101.70)	(2067.51)
NET CASH FROM FINANCING ACTIVITIES	(C)	95521.57	128408.40
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	(A+B+C)	(2052.64)	(533.30)
CASH AND CASH EQUIVALENT AS AT:			
Beginning of the year	*	20599.41	21132.71
End of the year	*	18546.77	20599.41

* Cash and Cash Equivalent does not include "Term Deposits under lien" in respect of Securitisation / Assignment Transactions & Deposits towards legal cases .

Examined and found correct

For **B. K. KHARE & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, 22nd April, 2009

V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors

BALANCE SHEET ABSTRACT

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 11-59642 State Code 11

Balance Sheet Date 31 03 2009

Day Month Year

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue Rights Issue

NIL NIL

Bonus Issue Private Placement

NIL NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities Total Assets

66821775 66821775

Sources of Funds

Paid-up Capital Reserves & Surplus

957109 13721578

Secured Loans Unsecured Loans

44668332 7461822

Application of Funds

Intangible Assets Net Fixed Assets

17518 356883

Investments Net Current Assets

109710 63562756

Miscellaneous Expenditure Accumulated Losses

NIL NIL

Deferred Tax Asset (Net)

1787508

IV. Performance of company (Amount in Rs. Thousands)

Turnover Total Expenditure

13846619 10590316

+ - Profit/Loss Before Tax + - Profit/Loss After Tax

+ 3256303 + 2145206

Earning per share in Rs. Dividend Rate %

Basic Diluted 55

22.46 22.14

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) NIL

Product Description LOAN DISCOUNTING
BILL DISCOUNTING

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors

V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary



SECTION 212

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Name of the Subsidiary Companies	Number of Shares in the Subsidiary Company held by Mahindra & Mahindra Financial Services Limited at the financial year ending date		The net aggregate of profits/(losses) of the Subsidiary Companies so far as they concern the members of Mahindra & Mahindra Financial Services Limited			
			For Current Financial Year		For Previous Financial Year	
	Equity	Extent of holding	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2009	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2009	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2009	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2009
	Nos.	%	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Mahindra Insurance Brokers Ltd.	5,00,000	100%	50.00	596.54	-	913.19
Mahindra Rural Housing Finance Ltd.	4,00,00,000	87.5%	-	(78.51)	-	(59.66)

Notes :

The financial year of the subsidiary companies ended on 31st March 2009.

V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors

AUDITORS' REPORT

Report of the Auditors on consolidated financial statements to the Board of Directors of Mahindra and Mahindra Financial Services Limited.

1. We have audited the attached consolidated balance sheet of Mahindra and Mahindra Financial Services Limited and its subsidiaries (Mahindra Insurance Brokers Ltd. and Mahindra Rural Housing Finance Ltd.) (the Group) as at 31st March, 2009, and the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are responsibility of Mahindra and Mahindra Financial Services Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on basis of the separate audited financial statements of Mahindra and Mahindra Financial Services Limited and its subsidiaries are included in the consolidated financial statements.
4. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Mahindra and Mahindra Financial Services Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the consolidated balance sheet of the consolidated state of affairs of Mahindra and Mahindra Financial Services Limited and its subsidiaries as at 31st March, 2009;
 - b) in the case of the consolidated profit and loss account on the consolidated results of operations of Mahindra and Mahindra Financial Services Limited and its subsidiaries for the year ended on that date; and
 - c) in the case of consolidated cash flow statement of the consolidated cash flows of Mahindra and Mahindra Financial Services Limited and its subsidiaries for the year ended on that date.

For B. K. KHARE & CO.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784

Place: Mumbai
Date: 22nd April, 2009



CONSOLIDATED BALANCE SHEET

As on March 31, 2009

		Rs. in lacs	
	Schedule	March 2009	March 2008
SOURCES OF FUNDS:			
Shareholders' Funds :			
Capital	I	9571.09	9528.83
Employee Stock Options Outstanding	II	129.34	135.43
Reserves & Surplus	III	138534.76	122555.41
		148235.19	132219.67
Minority Interest		154.02	0.00
Loan Funds:			
Secured Loans	IV	448183.32	461352.55
Unsecured Loans	V	73841.22	43370.00
		522024.54	504722.55
TOTAL		670413.75	636942.22
APPLICATION OF FUNDS :			
Intangible Assets			
Fixed Assets:			
Gross Block	VI	179.94	139.19
Less : Depreciation		6471.41	5491.24
Net Block		2873.99	2386.14
Add: Capital Work-In-Progress	VII	3597.42	3105.10
		33.36	37.37
		3630.78	3142.47
Investments	VIII	9716.34	953.55
Deferred Tax Asset		17876.85	12543.62
(Refer Notes to the Accounts - 20)			
Current Assets, Loans & Advances:			
a) Sundry Debtors		164.57	388.98
b) Cash & Bank Balances		27919.77	21627.09
c) Other Current Assets		239.16	138.93
d) Loans & Advances		687062.20	664746.37
	IX	715385.70	686901.37
Current liabilities and Provisions:			
Less: a) Current Liabilities	X	54884.07	51380.21
b) Provisions	XI	21491.79	15357.77
		76375.86	66737.98
Net Current Assets		639009.84	620163.39
TOTAL		670413.75	636942.22

The Schedules 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 & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, 22nd April, 2009

V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors



CONSOLIDATED PROFIT & LOSS ACCOUNT

For the year ended March 31, 2009

		Rs. in lacs	
	Schedule	March 2009	March 2008
INCOME :			
Income from Operations	XII	138171.07	121639.14
Other Income	XIII	1873.65	2026.13
TOTAL INCOME		140044.72	123665.27
EXPENDITURE:			
Financial Expenses	XIV	51086.62	45575.64
Employee cost	XV	12855.83	10319.52
Other Expenses	XVI	13524.23	14372.04
Provisions & Write Off's	XVII	28250.24	24634.60
Depreciation & Amortisation	XVIII	882.99	881.44
TOTAL EXPENDITURE		106599.91	95783.24
PROFIT BEFORE TAXATION		33444.81	27882.03
Less : Current tax		16495.00	14584.00
Add/(Less) : Deferred tax		(5333.22)	(5099.87)
Less : Provision for Fringe Benefit Tax		313.05	282.68
Less : Provision for Wealth tax		1.02	1.69
PROFIT AFTER TAXATION		21968.96	18113.53
Add/Less : Excess/(Short) Provision for Income Tax-earlier yrs (net)		(0.03)	0.00
		21968.93	18113.53
Add / Less : Minority Interest		(1.12)	0.00
		21970.05	18113.53
Add : Balance profit for earlier year		27493.02	19831.04
AMOUNT AVAILABLE FOR APPROPRIATION		49463.07	37944.57
APPROPRIATION:			
General Reserve		2211.00	1821.00
Statutory Reserve		4291.00	3541.00
Corporate Dividend Tax on Equity Shares (Interim)		8.50	4.25
Proposed Dividend on Equity Shares (Final)		5329.62	4360.52
Corporate Dividend Tax on Equity Shares (Final)		905.77	741.07
Balance Profit carried to Balance Sheet		36717.18	27476.73
		49463.07	37944.57
EARNINGS PER SHARE (Refer Notes to the Accounts - 4):			
(Face Value of Rs.10/- per share) (Rupees)			
Basic		23.01	21.29
Diluted		22.67	18.69
Notes on Accounts	XIX		

The Schedules referred to above and attached notes form an integral part of the Profit & Loss Account. This is the Profit & Loss Account referred to in our report of even date.

For **B. K. KHARE & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, 22nd April, 2009

V.Ravi
Chief Financial Officer

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SCHEDULE

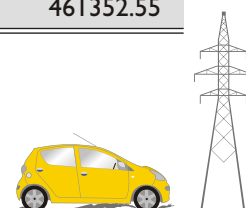
	Rs. in lacs	
	March 2009	March 2008
SCHEDULE I - SHARE CAPITAL		
Authorised:		
11,00,00,000 Equity shares of Rs.10/- each (Previous Year 11,00,00,000 shares)	11000.00	11000.00
50,00,000 Redeemable Preference shares of Rs.100/- each (Previous Year 50,00,000 shares)	5000.00	5000.00
Issued Share capital :		
9,69,00,525 Equity shares of Rs.10/- each (Previous Year 9,69,00,525 shares)	9690.05	9690.05
Subscribed and Paid-up :		
9,69,00,525 Equity shares of Rs.10/- each fully paid up (Previous Year 9,69,00,525 shares)	9690.05	9690.05
Less : Shares issued to ESOP Trust but not allotted by it to employees (11,89,666 shares (previous year 16,12,168) issued to ESOS Trust) (Refer Notes to the accounts-6)	118.96	161.22
TOTAL	9571.09	9528.83
Note:- Mahindra & Mahindra Ltd, the Holding Company holds 5,82,41,532 shares as on 31st March, 2009. (Previous year 5,82,41,532 shares)		

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE II - EMPLOYEE STOCK OPTION OUTSTANDING		
A) Employee Stock Option Outstanding :		
Opening Balance	214.96	243.88
Add : Fresh grant of options	52.71	55.29
Less : Amount transferred to Securities premium / Options Lapsed	74.38	84.21
Closing Balance	193.29	214.96
Less :		
B) Deferred Employee Compensation Expenses :		
Opening Balance	79.53	114.98
Add : Fresh grant of options	52.71	55.29
Less : Transfer to Employee Compensation / Options Lapsed	68.28	90.74
Closing Balance	63.96	79.53
TOTAL (A-B)	129.34	135.43

SCHEDULE (contd.)

		Rs. in lacs	
		March 2009	March 2008
SCHEDULE III - RESERVES & SURPLUS			
Capital Redemption Reserve:			
As per last Balance Sheet		5000.00	5000.00
		5000.00	5000.00
Securities Premium Account:			
As per last Balance Sheet		75231.84	35514.61
Add : Additions during the year		63.67	40385.43
Less : Shares issue expenses		0.00	668.19
		75295.51	75231.84
Less : Shares issued to ESOP Trust but not allotted by it to employees (Refer Notes to the accounts - 6)		487.77	660.99
		74807.75	74570.85
Statutory Reserve:			
As per last Balance Sheet		13321.62	9780.62
Add : Transfer during the year		4291.00	3541.00
		17612.62	13321.62
General Reserve:			
As per last Balance Sheet		2186.21	363.91
Add : Transfer during the year		2211.00	1822.30
		4397.21	2186.21
Balance in Profit & Loss Account		36717.18	27476.73
TOTAL		138534.76	122555.41

		Rs. in lacs	
		March 2009	March 2008
SCHEDULE IV - SECURED LOANS			
Non-Convertible Debentures			
(Repayable within a year Rs. 122130 lacs; Previous year Rs. 183500 lacs) (Secured by pari passu charge over immovable assets and first charge over Loan agreements and relative book debts)		227630.00	338000.00
Loans & Advances from Banks			
a) Term Loans			
(Repayable within a year Rs. 62820 lacs; Previous Year Rs. 33000 lacs) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		190610.91	92660.00
b) Cash Credit			
(Repayable fully within a year) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		29942.41	27752.55
Loans & Advances from Others			
8.35% Term Loan from International Finance Corporation (Repayable within a year Rs. Nil; Previous year Rs. 2940 lacs) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		0.00	2940.00
TOTAL		448183.32	461352.55



SCHEDULE (contd.)

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE V - UNSECURED LOANS		
Fixed Deposits (Repayable within a year Rs. 826.40 lacs; Previous Year : Rs. Nil)	7241.22	0.00
Loans & Advances from Subsidiaries		
Inter Corporate Deposits (Repayable fully within a year)	1500.00	0.00
Non-Convertible Debentures		
Non-Convertible Debentures - others (Repayable fully within a year)	8000.00	5000.00
Unsecured Bonds (Subordinate Debt) (Repayable within a year Rs. 5000 lacs; Previous Year : Rs. Nil)	32100.00	31120.00
Short Term Loans & Advances from Banks		
Commercial Paper (Repayable fully within a year)	18500.00	3250.00
Other Loans (Repayable fully within a year)	6500.00	4000.00
TOTAL	73841.22	43370.00

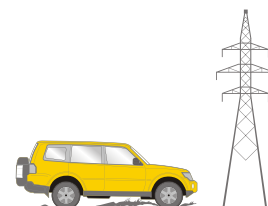
SCHEDULE (contd.)

SCHEDULE VI- INTANGIBLE ASSETS

Description of Assets	Gross carrying amount as at 01-04-2008	Additions and adjustments during the year at cost	Retirements and disposals	Gross carrying amount as at 31-03-2009	Accumulated amortisation as at 01-04-2008	Amortisation during the year at cost	Deduction and adjustments of amortisation	Accumulated amortisation as at 31-03-2009	Net Balance as at 01-04-2008	Net Balance as at 31-03-2009
Software Expenditure	554.24	171.71	0.00	725.95	419.81	130.96	0.00	550.77	134.43	175.18
Goodwill on consolidation	4.76	0.00	0.00	4.76	0.00	0.00	0.00	0.00	4.76	4.76
TOTAL	559.00	171.71	0.00	730.71	419.81	130.96	0.00	550.77	139.19	179.94
As at 31-03-2008	376.88	182.12	0.00	559.00	299.29	120.52	0.00	419.81	77.59	139.19

SCHEDULE VII - FIXED ASSETS

SCHEDULE VII - FIXED ASSETS										Rs.in lacs
Description of Assets	GROSS BLOCK AT COST				DEPRECIATION			NET BLOCK		
	As at 01.04.2008	Additions for Purch/Trf	Deductions for Sale/Trf	As at 31.03.2009	Upto 01.04.2008	For the year / Trf	Deductions / Trf	Upto 31.03.2009	As at 01.04.2008	As at 31.03.2009
Freehold Land	6.96	0.00	0.00	6.96	0.00	0.00	0.00	0.00	6.96	6.96
Premises	108.92	0.00	0.00	108.92	6.94	1.77	0.00	8.71	101.98	100.21
Office Equipments	786.77	325.42	5.71	1106.48	387.72	141.22	4.80	524.14	399.05	582.34
Vehicles	1334.79	644.66	248.38	1731.07	552.25	203.29	199.90	555.64	782.54	1175.43
Furniture	1173.82	112.52	1.51	1284.83	458.59	91.99	0.85	549.73	715.23	735.10
Computers	2079.98	223.59	70.42	2233.15	980.64	313.76	58.63	1235.77	1099.34	997.38
GRAND TOTAL	5491.24	1306.19	326.02	6471.41	2386.14	752.03	264.18	2873.99	3105.10	3597.42
As at 31.03.08	4426.42	1287.52	222.69	5491.24	1798.66	760.92	173.44	2386.14	2627.76	3105.10



SCHEDULE (contd.)

SCHEDULE VIII - INVESTMENT

Numbers	Face value per unit	Particulars	Note	Rs. in lacs			
				March 2009		March 2008	
				Long Term	Current	Long Term	Current
-	-	I - Government Securities:					
		(Quoted)					
-	1,00,00,000	\$ (a) 91 Days T-Bills			98.92		0.00
-	1,00,00,000	\$ (b) 364 Days T-Bills			95.85		53.16
			(I)	0.00	194.77	0.00	53.16
		II - Investments in Certificate of Deposits					
		(Quoted)					
10	100,00,000	With Banks	(II)		9521.57		0.00
					9521.57		0.00
		III-Investments in Mutual Fund units:					
		(Unquoted, Non trade, At cost)					
		Kotak Mutual Fund			0.00		400.29
		Templeton India Mutual Fund			0.00		500.10
			(III)		0.00		900.39
			(I+II+III)	0.00	9716.34	0.00	953.55
		TOTAL			9716.34		953.55

\$ - Total Face Value

Note :- Aggregate market value of quoted Investments :

- Government Securities (Treasury Bills) Rs. 195.87 lacs
- Investments in Certificate of Deposits with Banks Rs.9521.57 lacs

a) Following are the movements in Government Securities during the year. Treasury Bills of the face value of Rs.245 Lacs (Previous year Rs. 180 Lacs) were purchased and those of the face value of Rs. 100 Lacs (Previous Year Rs. 263.75 Lacs) were sold/redeemed/matured during the year.

b) Following are the movements in Units during the year :

Sr.no	Name of the Mutual Fund	Acquired		Sold Units
		Units	Rs Lacs	
1	Birla Mutual Fund	859274194	86075.88	859274194
2	Deutsche Mutual Fund	279595849	28015.38	279595849
3	HDFC Mutual Fund	162699723	16205.42	162699723
4	HSBC Mutual Fund	224975892	22510.19	224975892
5	Kotak Mutual Fund	300040522	33772.01	303314054
6	Prudential ICICI Mutual Fund	727656692	73040.72	727656692
7	Reliance Mutual Fund	537184040	107605.06	537184040
8	UTI Mutual Fund	1197957	12116.16	1197957
9	JM Mutual Fund	24963108	2500.43	24963108
10	LIC Mutual Fund	918199560	97624.78	918199560
11	Baroda Pioneer Mutual Fund	10001137	1000.11	10001137
12	Religare Mutual Fund	100053571	10011.77	100053571
13	Templeton India Mutual Fund	47489	475.41	97487
14	Tata Mutual Fund	17997	200.58	17997

SCHEDULE (contd.)

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE IX - CURRENT ASSETS, LOANS & ADVANCES		
[A] Current Assets :		
Interest accrued on		
a) Investments	3.50	1.29
b) Others	27.59	29.98
Sundry Debtors: HP and LEASE (Secured)		
a) Debts Outstanding for a period exceeding six months	751.75	757.93
b) Other Debts	102.45	334.49
	854.20	1092.42
Less : Provision for Non Performing Assets & Doubtful debts (Refer Notes to the accounts - 8)	689.63	703.44
Debtors Considered good	164.57	388.98
Cash & Bank balances :		
- Cash & Cheques on hand	1919.12	2124.98
- Balance with Scheduled Bank in current account	11554.78	10770.63
- Balance with Scheduled Bank in Cash Credit A/c	296.92	269.32
- Balance in Unclaimed dividend Bank Account	29.45	23.16
- Term Deposits with Scheduled Banks		
-Free of lien	5025.00	7500.00
-Under lien	9094.50	939.00
(Refer Notes to the Accounts - 15)		
Other Current Assets	208.07	107.66
TOTAL A	28323.50	22155.00
[B] Loans & Advances (Unsecured unless otherwise stated)		
Bills of Exchange	110.13	0.00
Advances recoverable in cash or in kind or for value to be received :		
Trade Advances	22153.00	17778.67
Less : Provision for Non Performing Assets & Doubtful Debts (Refer Notes to the accounts - 8)	356.12	331.80
Advances Considered good	21796.88	17446.87
Inter Corporate Deposits Given	100.00	1800.00
Less : Provision for Non Performing Assets (Refer Notes to the accounts - 8)	100.00	100.00
Inter Corporate Deposits Considered good	0.00	1700.00
Deposits for office premises / others	451.55	396.97
Loans against Assets (Secured) (including overdue loans)		
considered good	618944.87	612569.83
considered doubtful	67623.18	54394.33
	686568.05	666964.16
Less : Provision for Non Performing Assets & Doubtful debts (Refer Notes to the accounts - 8)	37707.58	26847.70
	648860.47	640116.46
Retained Interest in Securitised Assets	0.00	304.87



SCHEDULE (contd.)

		Rs. in lacs	
SCHEDULE IX - CURRENT ASSETS, LOANS & ADVANCES (contd.)		March 2009	March 2008
Loans and advances (Unsecured)			
considered good		13807.66	3190.02
considered doubtful		255.71	120.18
		14063.37	3310.20
Less: Provision for Non Performing Assets & Doubtful Debts (Refer Notes to the accounts - 8)		255.71	120.18
		13807.66	3190.02
Advance payment of tax (net of provisions)		2035.51	1591.18
TOTAL B		687062.20	664746.37
TOTAL (A+B)		715385.70	686901.37

		Rs. in lacs	
SCHEDULE X - CURRENT LIABILITIES		March 2009	March 2008
Sundry Creditors		25519.33	19929.81
Deposits/Advances received against Loan agreements		986.39	1047.42
Amount due to Investors Education and Protection Fund :*			
- Unclaimed Dividend		27.32	21.67
- Unclaimed Debentures		0.00	8.70
- Unclaimed Fixed Deposit Interest		0.00	7.36
Credit balances in Current Accounts with Banks		2343.72	2618.04
Amount Received in advance from ESOS Trust		606.73	822.21
Less : Loan given to the ESOS Trust		455.60	747.20
		151.13	75.01
Other Current Liabilities		12106.27	11008.65
Interest accrued but not due:			
- Loans		13728.53	16641.83
- Others		21.38	21.72
TOTAL		54884.07	51380.21

* There are no amounts outstanding and unpaid to be credited to the Investor Education and Protection Fund.

		Rs. in lacs	
SCHEDULE XI - PROVISIONS		March 2009	March 2008
Proposed Dividend		5329.53	4360.52
Corporate Dividend Tax		914.25	741.07
Provision for Estimated Loss/Expenses on Securitisation / Assignments		12738.95	8078.21
Provision for Employee Benefits (Refer Notes to the Account - 13)		2509.06	2177.97
TOTAL		21491.79	15357.77

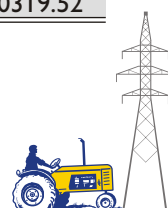
SCHEDULE (contd.)

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XII - INCOME FROM OPERATIONS		
Income from Bills	4.76	20.87
Income from Lease	2.55	2.51
Income from Hire Purchase	172.98	258.28
Income from Loan	125867.00	109494.87
Income from Retained Interest in Securitised Assets	2.12	63.10
Income from Securitisation/Assignment (Refer Notes to the Account - 17)	10432.93	10735.82
Income from insurance business / housing business	1688.73	1063.69
TOTAL	138171.07	121639.14

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XIII - OTHER INCOME		
Profit/Premium on Sale/Redemption of Investment	0.84	2.43
Interest on Government Securities	3.49	7.24
Dividend Received from Investments in Mutual Fund Units	451.21	192.96
Interest on Term Deposits / ICDs (TDS Rs. 212.71 lacs, previous year Rs.288.30 lacs)	926.88	1354.10
Profit on Sale / retirement of Owned Assets	5.41	7.03
Income - others	485.82	462.37
TOTAL	1873.65	2026.13

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XIV - FINANCIAL EXPENSES		
Interest on		
- Fixed loans	14514.08	9645.91
- Debentures	31825.20	31951.44
- Others	3681.91	3057.61
Bank Charges	1065.43	920.68
TOTAL	51086.62	45575.64

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XV - EMPLOYEE COST		
Salary, Bonus & Incentives	11733.53	9380.38
Company's Contribution to P.F. & other funds	742.73	589.34
Staff Welfare	321.99	287.85
Employee Compensation Expense on account of ESOS	57.58	61.95
TOTAL	12855.83	10319.52



SCHEDULE (contd.)

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XVI - OTHER EXPENSES		
Electricity Charges	368.37	312.39
Rent	1137.46	906.69
Repairs & Maintenance		
- Building	18.08	16.04
- Others	55.01	220.75
Insurance	835.05	335.20
Rates & Taxes	109.85	335.99
Directors Remuneration - Fees	2.45	3.15
- Commission	60.12	55.10
Commission & Brokerage	1999.77	3022.95
Legal & Professional Charges	3272.67	2964.47
Loss on Sale / retirement of Owned Assets	0.03	0.17
Auditors Remuneration - Audit Fees	20.20	15.69
- Other Services	13.46	21.09
Donations	71.85	78.37
General & Administrative Expenses	5559.86	6083.99
TOTAL	13524.23	14372.04

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XVII - PROVISIONS & WRITE OFF'S		
Bad Debts & Write offs	17243.88	12609.47
Provision for Non Performing Assets (Refer Notes to the accounts - 8)	11006.36	12025.13
TOTAL	28250.24	24634.60

	Rs. in lacs	
	March 2009	March 2008
SCHEDULE XVIII - DEPRECIATION & AMORTISATION		
Depreciation	752.03	760.92
Amortisation of Intangible Assets	130.96	120.52
TOTAL	882.99	881.44

SCHEDULE (contd.)

SCHEDULE XIX - CONSOLIDATED NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

SIGNIFICANT ACCOUNTING POLICIES (SAP):

1) Basis for Preparation of Accounts:

The accounts have been prepared to comply in all the material aspects with (a) applicable accounting principles in India, (b) the Accounting Standards issued by the Institute of Chartered Accountants of India and (c) relevant provisions of the Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies.

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 statement 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:

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, fee based income and Interest on Trade advance, which on account of uncertainty of ultimate collection are accounted on receipt basis. Also in accordance with the guidelines issued by the Reserve Bank of India for Non Banking Finance Companies, income on business assets classified as non-performing assets, is recognised on receipt basis.

ii. Income from Loan against assets (movable):

Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.

iii. Income from Subvention/Service/Document Charges:

Subvention received from dealers/manufacturers on retail cases is booked over the period of the contract. However, service charges & documentation charges are booked at the commencement of the contract.

iv. Brokerage and Handling charges Income:

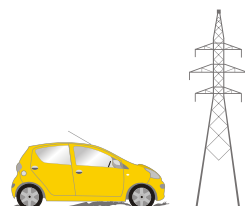
Brokerage and Handling charges income is recognised on accrual basis when services are rendered and is net of service tax.

v. Interest and Other Income from Housing Loans:

Repayment of housing loans is generally by way of Equated Monthly/Quarterly/Half yearly Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is accounted every month.

vi. Income from Assignment / Securitisation:

In case of assignment of receivables the assets are derecognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser. On de-recognition, the difference between book value of the receivables assigned and consideration received as reduced by the estimated provision for loss/expenses & incidental expenses related to the transaction is recognised as gain or loss arising on assignment. Income on Retained Interest in Securitised Assets is booked on accrual basis.





SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP): (contd.)

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 accounted on accrual basis.

4) Fixed Assets:

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation. Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

5) Depreciation:

- i. Depreciation on fixed assets, other than repossessed assets capitalised for own use, is charged using Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 except for:
 - a) Office equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
 - b) Assets costing less than Rs.5000/- are fully depreciated in the year of purchase and
 - c) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.
- ii. Repossessed assets, that have been capitalised for own use, are depreciated @ 15% using the Straight Line Method over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming a part of 'Owned Assets'

6) Foreign Exchange Transactions:

All assets and liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end, except those covered by forward exchange contracts which are translated at contracted rates, where the difference between the contracted rate and the spot rate on the date of the transaction is charged to Profit and Loss Account over the period of the contract.

In case of the current assets, current liabilities and long term liabilities the exchange differences are recognised in the Profit and Loss account.

7) Investments:

In terms of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value which ever is less.

8) Loans against assets:

Loan against assets are stated at agreement value net of instalments received less un-matured finance charges.

9) Employee benefits:

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP): (contd.)

a) **Defined Contribution Plans**

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are recognised in the Profit and loss Account.

b) **Defined Benefit Plan**

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

c) **Liability on account of encashment of leave to employees is considered as short term compensated expense provided at actuals.**

10) **Borrowing Cost:**

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. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

11) **Lease Hold Improvements:**

Expenditure incurred on improvements to leasehold premises is classified into Capital and Revenue. Addition of assets are capitalised under Fixed Assets and balance expenditure, if any, is debited to Profit & Loss Account.

12) **Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, 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. 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.

13) **Intangible Assets:**

All intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

Software expenses are treated as an intangible asset and amortized over the useful life of the asset. The maximum period for such amortization is 36 months.

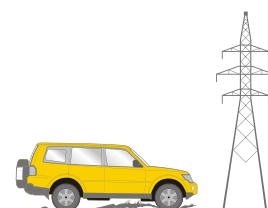
14) **Miscellaneous Expenditure:**

a) Preliminary Expenses

Preliminary expenses are charged to profit and loss account in the year of incurrence.

b) Share Issue Expenses

Expenses incurred in connection with fresh issue of share capital are either charged to Profit & Loss Account or adjusted against Securities Premium account in the year in which they are incurred.





SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP): (contd.)

15) Impairment of Assets :

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

16) Provisions & Contingencies Liabilities:

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

17) Derivatives:

The hedging contracts comprise of interest rate swap undertaken to hedge interest rate risk on certain liabilities. These hedges are accounted for like the underlying liabilities. The net interest payable is accounted on accrual basis over the life of the swap.

18) 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. Compensation expense is amortized over the vesting period of the option on a straight line basis.

NOTES TO THE ACCOUNTS:

- 1) The Consolidated Financial Statements relate to Mahindra & Mahindra Financial Services Limited, the Holding Company and its subsidiary companies namely Mahindra Insurance Brokers Limited and Mahindra Rural Housing Finance Limited. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis.
- The Financial Statements of the Company and its subsidiary companies 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 after fully eliminating intra group balances and intra group transactions resulting in unrealised profits or losses.
 - The difference between the cost of investment in the subsidiary companies over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.
 - The Financial Statements of the subsidiary companies are drawn upto 31st March 2009.
 - The subsidiary companies (which along with Mahindra & Mahindra Financial Services Limited, the parent, constitute the group) considered in the presentation of these consolidated financial statements is:

Name of the Subsidiary Company	Country of Origin	Proportion of Ownership Interest
Mahindra Insurance Brokers Limited (MIBL)	India	100.00%
Mahindra Rural Housing Finance Limited (MRHFL)	India	87.50%

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

- 2) The subsidiary company, Mahindra Insurance Brokers Limited, earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. The company does not expect any significant variation in the book balances.
- 3) During the year the Company has granted 2,81,137 Options to the eligible employees under the Employee Stock Option Scheme (ESOS) of the company. The details of the Employee Stock Option Scheme are :

Particulars	Grant dated 18th September, 2008
Type of Arrangement	Employee Share-Based Payment Plan administered through Employee Stock Option Trust.
Number of Options Granted	2,81,137
Contractual life	Options will lapse if not exercised within 6 years from the date of grant i.e. 18th September, 2008.
Exercise Price	Rs. 233/- per share
Method of Settlement	By Issue of Shares at Exercise Price
Vesting Conditions	35% 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 36 months from the date of grant ; 10% On expiry of 48 months from the date of grant ; 10% On expiry of 60 months from the date of grant ;

The company has adopted intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares is based on the latest available closing market price, prior to the date of meeting of the board of directors in which the options were granted on the stock exchange in which the shares of the company are listed. The difference between the intrinsic value & the exercise price is being amortised as employee compensation cost over the vesting period. The details of the same are given here under:

Particulars	Grant dated 18th September, 2008
Intrinsic Value of shares based on latest available closing market price	Rs.251.75
Total Amount to be amortized over the vesting period	Rs.52.71 Lacs
Charge to Profit & Loss Account for the year	Rs.17.92 Lacs
Compensation in respect of lapsed cases	Rs.0.35 Lacs
Unamortized Amount Carried Forward	Rs.34.44 Lacs

The fair value of options, based on the valuation of the independent valuer as of date of grant are:

Vesting period in years	Grant dated 18th September, 2008	
	Expected Vesting	Fair Value (Rs.)
1	98401	} 108.80
2	70301	
3	56226	
4	28141	
5	28068	
	281137	



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

The Fair Value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	Grant dated 18th September, 2008
Risk free interest rate	8.20%
Expected life	4.18 Years
Expected volatility	43.66%
Expected dividend yield	1.64%
Exercise price	233.00
Stock price	252.45

- 4) 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	
	March 2009	March 2008	March 2009	March 2008
a. Net Profit After Tax (Rs. in lacs)	21968.96	18113.53	21731.59	17999.28
b. Weighted Average number of Equity Shares of Rs.10/- each (Basic)	95492881	85083686	95492881	85083686
c. Weighted Average number of Equity Shares of Rs.10/- each (Diluted)	96900525	96900525	96900525	96900525
d. Basic Earning per Share (Rs.)	23.01	21.29	22.76	21.15
e. Diluted Earning per Share @ (Rs.)	22.67	18.69	22.43	18.58

@ Dilution in Earning per share is on account of 11,89,666 Equity shares (Previous year : 16,12,168 equity shares) held with the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

- 5) The Company had allotted 26,86,550 Equity shares on 6th December 2005, to Mahindra and Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company.

The Stock Options granted would vest in an Eligible Employee in five (5) instalments at specified dates from the date of the grant and are exercisable in 5 tranches within six (6) years from the date of grant.

The compensation costs of stock options granted to employees are accounted by the Company using the intrinsic value method.

Summary of Stock Options	No. of stock options	Weighted Average Exercise Price (Rs)
Options outstanding on 1st April, 2008	13,90,032	96.92
Options granted during the year	2,81,137	233.00
Options forfeited/lapsed during the year	70,528	69.69
Options exercised during the year	4,22,502	53.82
Options outstanding on 31st March, 2009	11,78,139	146.48
Options vested but not exercised on 31st March, 2009	3,33,053	113.47

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

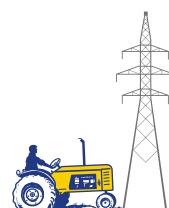
Average Share price at recognised stock exchange (NSE) on the date of exercise of the option are as under:

Date of Exercise	Average Share Price (Rs)
07th April, 2008	259.47
09th April, 2008	259.83
25th April, 2008	276.90
20th August, 2008	244.01
11th September, 2008	248.96
29th December, 2008	222.71
09th January, 2009	246.76
30th January, 2009	194.74
20th March, 2009	216.21
26th March, 2009	200.62

Information in respect of options outstanding as at 31st March, 2009:

Exercise price	No. of Options	Weighted average remaining life
Rs. 51.00	5,91,838	32 months
Rs. 211.00	1,72,283	51 months
Rs. 304.00	1,34,770	59 months
Rs. 233.00	2,79,248	65 months

- 6) As per Guidance note issued by the Chartered Accountants of India on "Accounting for Employee Share-based payment" which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly, Company has reduced the Share Capital by Rs. 118.96 lacs (Previous year: Rs. 161.22 lacs), Securities Premium by Rs. 487.77 lacs (Previous year: Rs. 660.99 lacs) for the 11,89,666 shares (Previous year: 16,12,168 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.
- 7) The holding company, Mahindra & Mahindra Limited, has incurred a cost of Rs. 0.63 lacs - (Previous year: Rs. 0.83 lacs) under Employee Stock Options (ESOS) to employees of the Company.
- 8) The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India. The Company also makes additional provision on a prudential basis. The cumulative additional provision made by the Company as on 31st March, 2009 is Rs. 19527.19 lacs (Previous year: Rs. 17504.68 lacs).
- 9) Bad debts & 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.
- 10) Commission & Brokerage represents amount incurred in respect of acquisition of customers.
- 11) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.
- 12) Current Liabilities include Deposits/Advances received on account of Lease/Hire Purchase/Loan, which are repayable / adjusted over the period of the contract.



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

13) In case of holding company:

Defined Benefit Plans - As per Actuarial valuation :

Gratuity (funded)

Particulars	Rs. in lacs	
	March 2009	March 2008
I Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March		
1 Current service cost	227.32	157.97
2 Interest cost	19.19	13.20
3 Expected return on plan assets	(15.91)	(2.30)
4 Actuarial (Gains)/Losses	(176.62)	(77.90)
5 Total expense	53.97	90.97
II Net asset/(liability) recognised in the Balance Sheet as at 31st March		
1 Present Value of Defined Benefit obligation as at 31st March	256.67	205.93
2 Fair value of plan assets as at 31st March	208.07	167.28
3 Funded status (surplus/(deficit))	(48.60)	(38.65)
4 Net asset/(liability) as at 31st March	(48.60)	(38.65)
III Change in the obligations during the year ended 31st March		
1 Present Value of Defined Benefit obligation at the beginning of the year	205.93	139.78
2 Current service cost	227.31	157.97
3 Interest cost	19.20	13.20
4 Actuarial (Gains)/Losses	(176.62)	(83.48)
5 Benefits paid	(19.15)	(21.54)
6 Present Value of Defined Benefit obligation at the end of the year	256.67	205.93
IV Change in the fair value of plan assets during the year ended 31st March		
1 Fair value of plan assets at the beginning of the year	149.48	94.61
2 Expected return on plan assets	15.89	(2.30)
3 Contributions by employer	73.55	90.93
4 Actuarial (Gains)/Losses	(11.72)	5.58
5 Actual Benefits paid	(19.16)	(21.54)
6 Fair value of plan assets at the end of the year	208.04	167.28
V Major category of plan assets as a percentage of total plan		
Funded with LIC	100%	100%
Others		
VI Actuarial Assumptions		
1 Discount Rate	8% p.a.	8% p.a.
2 Expected Rate of return on plan assets	8% p.a.	8% p.a.
3 Rate of Salary Increase	5% p.a.	5% p.a.
4 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

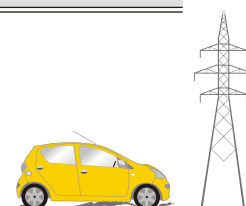
In case of subsidiary company (MIBL)

Gratuity (Fully Funded)

Particulars

Rs. in lacs

	March 2009	March 2008
I Change in Obligation during the year ended 31st March		
1 Present value of obligation as the beginning of the year	11.40	2.74
2 Interest Cost	1.10	0.22
3 Current Service Cost	18.48	4.06
4 Actuarial (Gain)/Loss on Obligations	(15.29)	4.37
5 Benefits Paid	0.00	0.00
6 Present value of Defined Benefit Obligation at the end of the year.	15.69	11.40
II Change in Assets during the Year ended 31st March		
1 Plan Assets at the beginning of the year	13.36	2.84
2 Expected return on plan assets.	1.07	0.23
3 Contributions by Employer	9.38	10.52
4 Actual benefits paid	0.00	0.00
5 Actual Gain/(Losses)	(0.26)	0.58
6 Plan Assets at the end of the year	23.55	14.17
III Net Asset/(Liability) recognised in the Balance Sheet as at 31st March		
1 Present Value of Defined Obligation as at 31st March	15.69	11.40
2 Fair Value of plan assets as at 31st March	23.55	14.17
3 Fund status (Surplus/(Deficit))	7.85	2.77
4 Net Assets/ (Liability) as at 31st march	7.85	2.77
IV Expenses recognised in the statement of Profit and Loss for the year ended 31st March		
1 Current Service cost	18.48	4.06
2 Interest Cost	1.10	0.22
3 Expected return on Plan Assets	(1.07)	(0.23)
4 Net Actuarial (Gains)/Losses (Net of Opening Actuarial Gain/(Loss) adjustment)	(14.68)	1.26
5 Expenses recognised in statement of Profit & Loss	3.83	5.31
V The Major Categories in Plan Assets as a percentage of total plan		
1 Insurer Managed Funds	100%	100%
VI Method of Valuation :-	Projected Unit Credit Method	
VII Actuarial Assumption		
1 Discount Rate	8%	8%
2 Expected rate of return on plan assets	8%	8%
3 Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4 Salary Increment Rate	5%	5%
5 Retirement Age	60 Years	60 Years
6 Withdrawal	Attrition rate of 1% up to the age of 30 Years	



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

In case of subsidiary company (MRHFL)

Defined Benefit Plans -As per actuarial valuation on 31st March, 2009:

Gratuity (funded)

Particulars

Rs. in lacs

March 2009

I Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March

1	Current service cost	3.31
2	Interest cost	0.00
3	Expected return on plan assets	0.00
4	Actuarial (Gains)/Losses	0.00
5	Total expense	3.31

II. Net asset/(liability) recognised in the Balance Sheet as at 31st March

1	Present Value of Defined Benefit obligation as at 31st March	3.31
2	Fair value of plan assets as at 31st March	0.00
3	Funded status (surplus/(deficit))	(3.31)
4	Net asset/(liability) as at 31st March	(3.31)

III. Change in the obligations during the year ended 31st March

1	Present Value of Defined Benefit obligation at the beginning of the year	0.00
2	Current service cost	3.31
3	Interest cost	0.00
4	Actuarial (Gains)/Losses	0.00
5	Benefits paid	0.00
6	Present Value of Defined Benefit obligation at the end of the year	3.31

IV. Change in the fair value of plan assets during the year ended 31st March

1	Fair value of plan assets at the beginning of the year	0.00
2	Expected return on plan assets	0.00
3	Contributions by employer	0.00
4	Actuarial (Gains)/Losses	0.00
5	Actual Benefits paid	0.00
6	Fair value of plan assets at the end of the year	0.00

V. Major category of plan assets as a percentage of total plan

Funded with LIC	100%
Others	

VI. Actuarial Assumptions

1	Discount Rate	8% p.a.
2	Rate of Salary increase	5% p.a.
3	In-service Mortality	LIC (1994-96) ULTIMATE

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

14) Disclosure on Derivatives :

- There were 14 Derivative instruments (Previous year: 14) for hedging interest rate risk outstanding as on 31st March, 2009.
- All the instruments are for hedging interest rate risk.
- There was an unhedged exposure of Japanese Yen (JPY) of Nil (Previous year: (JPY) of 7.99 lacs, i.e. Rs.3.20 lacs) on account of cross currency interest swap.

15) Term Deposits include Rs. 9079.00 lacs (Previous year: Rs.929.00 lacs) maintained as cash collateral deposits in accordance with the securitisation/assignment transactions and Rs.5.50 lacs (Previous year: Nil) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suites filed by the company.

16) Expenditure in Foreign Currency :

On Foreign Travel Rs.5.31 lacs (Previous year: Rs 27.54 lacs)
 On Membership and Subscriptions Rs. Nil (Previous year: Rs 0.12 lacs)
 Other Expenses Rs.108.48 Lacs (Previous year: 1.17 lacs)
 Purchase of Fixed Assets - Rs. Nil (Previous Year Rs. 0.24 lacs)

17) a) During the year, the company has without recourse assigned loan receivables of 32083 (Previous year: 24425) contracts amounting to Rs. 103622.61 lacs (Previous year: Rs.80985.74 lacs) (including future interest receivable) for a consideration of Rs. 91511.30 lacs (Previous year: Rs. 73030.94 lacs) and de-recognised the assets from the books. The income booked in respect of assignment of receivables includes certain amount towards cost of future servicing of the assigned pool and an appropriate amount has been provided towards expenditure for future services. On assignment of receivables income recognised upfront for the current year is Rs.15195.48 lacs (Previous year: Rs.13345.14 lacs) against which a provision for estimated loss/expenses of Rs.5427.49 lacs (Previous year: Rs.3260.25 lacs) is made.

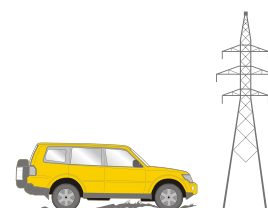
b) During the year, the provision in respect of securitisation / assignment transactions amounting to Rs.766.76 lacs (Previous year: Rs.684.15 lacs) considered no longer necessary has been written back.

18) During the year, the company has acquired (a) with recourse financial portfolio of Rs.12186.85 lacs (Previous year: Rs. Nil) from Group companies for a consideration of Rs.10000.00 lacs (previous year: Rs. Nil) and (b) without recourse portfolio of Rs.15432.48 lacs (Previous year: Rs. Nil) for a consideration of Rs.13550.55 lacs (previous year: Rs. Nil) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the company and interest income booked on these portfolios is Rs.81.08 lacs. The Company has received cash collateral amounting to Rs.5373.49 lacs (previous year: Rs. Nil) against these assignments.

19) Related Party Disclosure as per Accounting Standard 18:

List of the related parties which has transaction with our Company during the year:

Holding Company	Mahindra & Mahindra Limited
Subsidiary Company	Mahindra Insurance Brokers Limited
	Mahindra Rural Housing Finance Limited
Fellow subsidiary Companies	As per list given below
Mahindra First Choice Wheels Limited	Mahindra Navistar Automotives Ltd
(formerly known as First Choice Wheels Ltd)	(formerly known as Mahindra International Ltd)



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

Mahindra USA, Inc	Mahindra Intertrade Limited
Mahindra Renault Pvt. Ltd.	Mahindra First Choice Services Limited
Punjab Tractors Ltd.	Mahindra Holidays & Resorts Ltd
Key Management Personnel	Mr. Ramesh Iyer (Managing Director)
	Dr. Jaideep Devare (Director) (MIBL)
	Mr. Anuj Mehra (CEO) (MRHFL)

Related Parties transactions are as under:

Sr. Nature of transactions No.	Holding Company	Fellow subsidiary Companies	Key Management Personnel
1 Income			
Hire Purchase / Lease / Loan income	529.77	65.12	-
	(397.77)	(38.54)	-
Other income	-	40.18	-
	-	(37.78)	-
2 Expenses			
Interest	524.19	2.65	-
	(258.07)	-	-
Other Expenses	127.83	1.51	156.20
	(105.24)	-	(110.79)
3 Purchase of equity shares	-	-	-
	-	-	-
4 Purchase of Fixed Assets	243.54	6.09	-
	-	-	-
5 Finance			
Unsecured Bonds placed (including interest accrued)	2009.45	-	-
	(2009.02)	-	-
NCD Issued	-	-	-
	(1046.29)	-	-
Dividend paid - for previous year	2620.87	-	2.70
	(1164.83)	-	(0.70)
Inter Corporate Deposits taken (including interest accrued by not due)	1561.30	-	-
	-	-	-
Inter Corporate Deposits given (including interest accrued by not due)	-	-	-
	-	(1504.42)	-
6 Stock Options	-	-	5.61
	-	-	(4.69)

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

Related Parties transactions are as under:

Sr. Nature of transactions No.	Holding Company	Fellow subsidiary Companies	Key Management Personnel
7 Other Transactions			
Reimbursement to parties	-	60.32	-
	-	-	-
Reimbursement from parties	-	-	-
	-	(0.52)	-
8 Outstanding			
Receivables	60.44	9858.72	-
	(43.71)	(27.08)	-
Payables	30.51	37.38	-
	(31.37)	-	-

Figures in bracket represent corresponding figures of previous financial year.

- 20) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the company has accounted for Deferred Asset/Liability. The break up of the deferred tax asset as on 31st March, 2009 of Rs. 17876.85 lacs (Previous year: Rs. 12543.62 lacs) is as under :

Particulars	Deferred Tax Asset / (Liability) - March 2009	Deferred Tax Asset / (Liability) - March 2008
Provision for Non Performing Assets	17535.25	12221.00
Depreciation	(78.07)	(49.83)
Other Disallowances	419.67	383.45
Total	17876.85	12543.62

21) Contingent Liability not provided for:-

- Taxation matters: Demands against the Company not acknowledged as debts and not provided for, relating to issues of deductibility and taxability in respect of which the Company is in appeal and exclusive of the effect of similar matters in respect of assessments remaining to be completed:
Income tax: Rs. 4478.28 lacs (Previous year: Rs. 2316.29 lacs). These demands are met to the extent of Rs. 2070.22 lacs (Previous year: Rs. 1504.61 lacs), part by payment and part by adjustment against refunds due to the company.
- The Company has given a performance guarantee in respect of which the Company stands fully indemnified for the loss if any which would be incurred on failure, if any, to perform the guaranteed act for Rs. 200 lacs. (Previous year: Rs. 200 lacs).
- Estimated amount of contracts remaining to be executed on Capital account Rs. 94.31 lacs (Previous year: Rs. 145.74 lacs).
- Corporate undertaking on Securitization/assignment Rs. 45820.20 lacs (Previous year: Rs. 30822.15 lacs).
- Legal Suites filed by the customers in Consumer Forums and Civil courts claiming compensation against company amounting to Rs. 1483.83 lacs (Previous year: Rs. 1369.88 lacs).

- 22) The company has no debentures issued to the public as at 31st March, 2009, hence no amount has been credited to the Debenture Redemption Reserve account during the current period.





SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

- 23) There are no dues payable to Small Scale industrial undertakings in view of the nature of the business of the Company.
- 24) Suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 have not furnished the information regarding filing of necessary memorandum with appointed authority. In view of this, information required under Schedule VI of the Companies Act, 1956 to that extent is not given.
- 25) The business activity reflected in the consolidated financial statements comprise primarily of the business of financing. The other business segment namely insurance broking and housing finance income do not constitute in aggregate more than 10% of the consolidated income, results of operations and capital employed. Accordingly there are no reportable segments as per Accounting Standard 17 (Segment Reporting).
- 26) Previous period / year's figures have been regrouped wherever necessary.

Signature to Schedule I to XIX

For **B. K. KHARE & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, 22nd April, 2009

V.Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer
M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors



CONSOLIDATED CASH FLOW STATEMENT

		Rs. in lacs	
		March 2009	March 2008
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes and contingencies		33444.81	27882.03
Add/(Less):			
Non Cash Expenses :			
Depreciation		752.03	760.93
Amortisation on Intangible Assets		130.96	120.52
Provision for non-performing assets (net)		11017.56	12021.63
Employee Compensation Expense on account of ESOS		57.58	61.95
		11958.13	12965.03
Add/(Less):			
Income considered separately :			
Income on investing activities		(496.86)	(201.78)
(Profit)/Loss on sale of assets		(5.38)	(6.86)
(Profit)/Loss on sale of Investment		(0.63)	(2.43)
Share Issue Expenses		21.87	18.93
Income from Assignments		(10534.75)	(10769.02)
		(11015.75)	(10961.16)
Operating profit before working capital changes	(I)	34387.19	29885.90
Less:			
(Increase)/Decrease in interest accrued others		(13.74)	40.75
(Increase)/Decrease in Trade receivables		237.78	9.37
(Increase)/Decrease in Loans & Advances		(110812.68)	(148779.33)
		(110588.64)	(148729.21)
Add: Increase in Current liabilities		3794.85	2154.03
	(II)	(106793.79)	(146575.18)
Cash generated from operations	(I+II)	(72406.60)	(116689.28)
Advance taxes paid		(17253.43)	(16031.26)
NET CASH FROM OPERATING ACTIVITIES	(A)	(89660.03)	(132720.54)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1313.36)	(1187.48)
Sale of fixed assets		67.21	56.11
Purchase of Investments		(10716.34)	(1153.55)
Sale of Investments		954.18	2638.88
Purchase of Software		(171.71)	(182.12)
Income received on investments		475.10	204.03
NET CASH FROM INVESTING ACTIVITIES	(B)	(10704.92)	375.87
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares (net of issue expenses)		1365.04	41121.32
Increase/(Decrease) in Bank borrowings (net)		2189.86	(18144.67)
Increase/(Decrease) in long term borrowings (net)		(110049.00)	38390.00
Increase/(Decrease) in short term borrowings (net)		119500.91	(1889.99)
Increase/(Decrease) in Fixed Deposits (net)		7241.22	(365.41)
Proceeds from Assignment		83355.80	74778.94
Dividend paid		(5101.70)	(2071.76)
NET CASH FROM FINANCING ACTIVITIES	(C)	98502.13	131818.43
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	(A+B+C)	(1862.82)	(526.23)
CASH AND CASH EQUIVALENTS AS AT:			
Beginning of the year	*	20698.09	21224.32
End of the year	*	18835.27	20698.09

* Cash and Cash Equivalent does not include "Term Deposits under lien" in respect of Securitisation / Assignment Transactions & Deposits towards legal cases .

Examined and found correct

For **B. K. KHARE & CO.**

Chartered Accountants

Padmini Khare Kaicker

Partner

Membership No.44784

Mumbai, 22nd April, 2009

V.Ravi

Chief Financial Officer

Arnavaz Pardiwala

Company Secretary

Bharat Doshi
Uday Y. Phadke
Ramesh Iyer

M. G. Bhide
Anjanikumar Choudhari
Dhananjay Mungale
Piyush Mankad
Mumbai, 22nd April, 2009

Chairman
Vice Chairman
Managing Director

Directors



DIRECTORS' REPORT

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the Twenty Second Annual Report along with the Audited Accounts of your Company for the year ended 31st March 2009.

FINANCIAL RESULTS

	In Rupees	
	March 2009	March 2008
Income	23,14,68,218	18,00,50,999
Profit before Interest, Depreciation & Taxation	10,15,17,765	7,77,84,928
Interest	-	-
Depreciation	(9,02,073)	(8,56,842)
Profit before Taxation	10,06,15,692	76,928,086
Provision for Taxation		
- Provision for Current Tax	(3,50,00,000)	(2,60,00,000)
- Provision for Wealth Tax	(7,500)	(4,000)
- Provision for Deferred Tax	3,63,305	45,687
- Provision for Fringe Benefit Tax	(13,17,017)	(13,91,143)
	(3,59,61,212)	(2,73,49,456)
Profit after Taxation	6,46,54,480	4,95,78,630
Less: Income Tax Adjustment for earlier years	(3,044)	-
Net Profit	6,46,51,436	4,95,78,630
Balance of Profit for prior years	7,35,42,896	3,18,89,141
Amount available for Appropriation	13,81,94,332	8,14,67,771
Appropriations:		
Transfer to General Reserve	65,00,000	50,00,000
Dividend on Equity Shares (Interim)	50,00,000	25,00,000
Tax on Dividend (Interim)	8,49,750	4,24,875
Surplus carried to Balance Sheet	12,58,44,582	7,35,42,896
	13,81,94,332	8,14,67,771

DIVIDEND

The Company had declared interim dividend of Rs. 10 per share (including Rs.5 per share Special Dividend on completion of five years of the insurance broking business) on 26th March, 2009 on the equity capital during the financial year under review (previous year Rs.5 per share).

In view of the Interim Dividend paid, no final dividend is recommended for the financial year ended 31st March, 2009. The interim dividend, inclusive of tax on distributed profits, will absorb a sum of Rs.0.58 crores (previous year Rs.0.29 crores).

OPERATIONS

The year under review represents the fifth year of your Company's insurance broking operations. Consequent to the detariffing of the Non-Life market during 2007-08, your Company's focus during the year under review was on significantly enhancing the retail customer base in order to minimize the impact of detariffing on broker income.

During the year under review, your Company reached an important milestone of crossing 2,50,000 policies, with a total of 2,88,453 policies for both Life and Non-Life retail business lines. The customized life insurance cover "Mahindra Loan Suraksha" (MLS) continued to receive a good response and grew by 17.8% from 81,037 lives covered with a Sum Assured of Rs. 1,775.6 crores in the financial year 2007-08 to 95,434 lives covered with a Sum Assured of Rs. 2,180.4 crores in the financial year 2008-09, with a substantial portion being covered in the rural markets. In the Non-Life retail segment mainly comprising of Motor insurance primarily in the rural market, your Company achieved a growth of 25.5% from 1,53,831 cases in the financial year 2007-08 to 1,93,019 cases in the financial year 2008-09.



DIRECTORS' REPORT (contd.)

Your Company achieved a growth of 14.3% in Net Premium generated for the Corporate and Retail business lines, increasing from Rs. 139.8 crores (Gross Premium Rs. 155.3 crores) in the financial year 2007-08 to Rs. 159.8 crores (Gross Premium Rs. 177.0 crores) in the financial year 2008-09. The Income increased by 28.3% from Rs. 18.0 crores in the financial year 2007-08 to Rs. 23.1 crores in the financial year 2008-09. The Profit Before Tax increased by 31.2% from Rs. 7.7 crores to Rs. 10.1 crores, and the Profit After Tax increased by 30.0% from Rs. 5.0 crores to Rs. 6.5 crores during the same period.

DIRECTORS

Mr. V. Ravi and Mr. Hemant Sikka retire by rotation and being eligible offer themselves for re-election.

Mr. Uday Y. Phadke was appointed by the Board as an Additional Director and elected Chairman with effect from 20th January, 2009. Mr. Phadke holds office only up to the date of the forthcoming Annual General Meeting of the Company.

The Company has received notices from a member under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Phadke as candidate for the office of Director at its forthcoming Annual General Meeting.

Dr. Jaideep Devare was appointed as a Whole-time Director of the Company with effect from 1st January, 2009.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company comprises Mr. Rajeev Dubey (Chairman of the Committee), Mr. Ramesh Iyer and Mr. V. Ravi.

During the year under review, three Audit Committee meetings were held. These meetings were well attended.

REMUNERATION COMMITTEE

The Remuneration Committee was constituted during the year and presently comprises of Mr. Uday Y. Phadke, Mr. Rajeev Dubey and Mr. Ramesh Iyer. The Remuneration Committee met once during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:-

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

AUDITORS

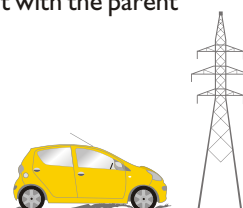
Messrs. B. K. Khare & Co., Chartered Accountants, retire as Auditors of the Company and have given their consent for re-appointment. The members will be required to appoint Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

PUBLIC DEPOSITS AND LOANS / ADVANCES

The Company has not accepted any deposits from the public or its employees during the year under review.

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 Clause 32 of the Listing Agreement with the parent company, Mahindra & Mahindra Financial Services Limited, are furnished separately.





DIRECTORS' REPORT (contd.)

CODES OF CONDUCT

The Board of Directors of the Company had adopted separate Codes of Conduct for Corporate Governance ("the Codes") for its Directors, and Senior Management and Employees enunciating the underlying principles governing the conduct of its business and seeking to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

The Company has for the year under review, received declarations under the Codes from the Board Members and the Senior Management Personnel and Employees of the Company affirming compliance with the respective Codes.

OUTLOOK FOR THE CURRENT YEAR

As a part of detariffing of the non-life insurance industry, the Insurance Regulatory & Development Authority (IRDA) announced the customization of policy wordings for the various products of the insurance companies from January 2009. This development augurs well for the insurance broking industry since customers could now be offered tailor-made solutions for their specific risk coverages. Your Company, with its strength of professionally qualified employees, is in the process of gearing up to leverage on this key development in the market.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure I of this Report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES FRAMED THEREUNDER

As required under section 217(2A) of the Companies Act, 1956 and Rules made thereunder, a statement containing particulars of the Company's employees, who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2009 or not less than Rs.2,00,000 per month during any part of the said year is given in the Annexure II to this Report.

SECRETARIAL COMPLIANCE CERTIFICATE

In accordance with the provisions of section 383A of the Companies Act, 1956, a Certificate from Mr. J. P. Fernandes, Company Secretary in Whole-time Practice, certifying that the Company has complied with all the provisions of the Companies Act, 1956 is given in the Annexure and forms part of this Report.

ACKNOWLEDGEMENTS

The Directors thank the Insurance Regulatory & Development Authority for their continuous support and guidance rendered to the Company. The Directors acknowledge the trust reposed by the customers, the support of the shareholders, the advice of the auditors and the noteworthy performance of the employees.

For and on behalf of the Board

Uday Y. Phadke

Chairman

Mumbai, April 20, 2009



DIRECTORS' REPORT (contd.)

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars as per the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and Forming Part of the Directors' Report for the Year Ended 31st March, 2009.

A. Conservation Of Energy

- Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- Additional investments and proposals, if any, are being implemented for reduction of consumption of energy: Nil
- Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: As energy costs comprise a very small part of your company's total expenses, the financial impact of these measures is not material.
- Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable

B. Technology Absorption

Research & Development (R & D)

- Areas in which R & D is carried out : None
- Benefits derived as a result of the above efforts : Not applicable
- Future plan of action : Not applicable
- Expenditure on R & D : Nil
- Technology absorption, adaptation and innovation : None
- Imported Technology for the last 5 years : None

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.

ANNEXURE II TO THE DIRECTORS' REPORT

Additional Information as required Under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the Year Ended 31st March, 2009.

Name of Employee	Designation / Nature of Duties	Gross Remuneration (subject to income tax)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, Designation and Organisation
Shri K.R. Pherwani	Principal Officer	33,53,025	B.Com. Diploma in Export Management, Associate of the Insurance Institute of India (AIII)	32	53	01/10/2003	Head Insurance Mahindra & Mahindra Limited
Shri Rajesh Sharma	Head -Retail	25,99,595	B.E. (Hons) - Mechanical Engineering, Post - Graduate Diploma in Insurance and Risk Management	15	37	01/04/2004	Retainer Mahindra & Mahindra Financial Services Limited

Notes:

- Terms and conditions of employment are as per Company's Rules / contract.
- 'Gross Remuneration' includes salary, taxable value of perquisites and Company's contribution to Provident Fund.
- The Company has made a provision for contribution to the Employees' Gratuity Fund based on actuarial valuation. This amount has not been included in 'Gross Remuneration' as no separate figures are available for individual employees.
- None of the employees mentioned above is relative of any Director of the Company.
- All the employees have adequate experience to discharge the responsibilities assigned to them.
- No employee holds by himself / herself or along with his / her spouse and dependent children 2% or more of the equity shares of the Company.

For and on behalf of the Board

Uday Y. Phadke
Chairman
Mumbai, April 20, 2009





DIRECTORS' REPORT (contd.)

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 CLAUSE 32 OF THE LISTING AGREEMENT WITH THE PARENT COMPANY, MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Loans and advances in the nature of loans to firms/companies in which directors are interested:

Name of the Company	Balance as on 31st March, 2009	In Rupees
		Maximum outstanding during the year
Mahindra & Mahindra Financial Services Limited	77,700,000	77,700,000
Mahindra Rural Housing Finance Limited	20,000,000	20,000,000

The Company has not made any loans and advances in the nature of loans to subsidiaries, associates, and loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956.



SECRETARIAL COMPLIANCE CERTIFICATE

Secretarial Compliance Certificate
Registration No.:- 11- 42609
Authorised Share Capital:- Rs. 1,00,00,000
Paid-up share Capital:- Rs. 50,00,000

To, Members,
Mahindra Insurance Brokers Limited,
Mahindra Towers,
Worli, Mumbai-400 018.

I have examined the registers, records, books and papers of Mahindra Insurance Brokers Limited ("the Company") as required to be maintained under the Companies Act, 1956, ("the Act") and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2009. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:-

- 1) The Company has kept and maintained all Registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
- 2) The Company has duly filed the forms and returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies, within the time prescribed under the Act and the Rules made thereunder except otherwise stated.
- 3) The Company is a Public Limited Company within the meaning of the provisions of section 3(1)(iv) of the Companies Act, 1956. The paid-up share capital of the Company is Rs. 50 lakhs.
- 4) The Board of Directors duly met 4 (four) times on 15th April 2008, 15th July, 2008, 21st October, 2008 and 20th January, 2009, and a circular resolution was passed by the Board on 26th March, 2009 for payment of interim dividend in respect of which proper notices / circulars were issued / given and the proceedings thereof were properly recorded in the Minutes Book and signed.
- 5) The Company has not closed/was not required to close its Register of Members or Debenture-holders during the financial year.
- 6) The Annual General Meeting for the financial year ended on 31st March, 2008 was held on 15th July, 2008, after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- 7) An Extraordinary General Meeting of the Company was held on 12th March, 2009 for passing a Special Resolution for appointment of Dr. Jaideep Devare as a Whole-time Director of the Company w.e.f. 1st January, 2009.
- 8) The Company has not advanced any loans to its Directors or persons or firms or companies referred to in section 295 of the Act.
- 9) The Company has not entered into any contracts falling within the purview of section 297 of Act.
- 10) The Company has made necessary entries in the register maintained under section 301 of the Act.
- 11) As there was no instance falling within the purview of section 314 of the Act, the Company was not required to obtain any approval from the Board of Directors, members or Central Government under that section.
- 12) The Company has not issued any duplicate share certificate.
- 13) i) The Company has delivered all the certificates on lodgment thereof for transfer and/or for other purposes in accordance with the provisions of the Act;
ii) The Company has deposited the interim dividend (FY 2008-09) in separate Bank Account within 5 days of its declaration.
iii) The Company has paid the interim dividend (FY 2008-09) to the shareholders within the prescribed time.
iv) Transfer of any unpaid dividend amount to Investor Education and Protection Fund as required under the provisions of section 205C of the Act was not applicable to the Company;
v) The Company has duly complied with the requirements of section 217 of the Act.





SECRETARIAL COMPLIANCE CERTIFICATE (contd.)

- 14) The Board of directors of the Company is duly constituted and the re-appointment of directors retiring by rotation have been duly approved by the members of the Company at the AGM.
- 15) The Company has appointed Dr. Jaideep Devare as Whole-time Director during the year ended 31st March, 2009.
- 16) The Company has not appointed any sole selling agents during the financial year.
- 17) The Company has, wherever required, obtained all necessary approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies or such other authorities as may be prescribed under the various provisions of the Act.
- 18) The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
- 19) The Company has not issued any shares / Debentures / other Securities during the financial year under review.
- 20) The Company has not bought back any shares during the financial year.
- 21) There was no redemption of preference shares or debentures during the financial year.
- 22) The Company did not have to keep in abeyance rights or bonus shares pending registration of transfer of shares in compliance with the provisions of the Act as the Company had not issued any rights or bonus shares during the year under scrutiny. The question of keeping in abeyance rights to dividend did not arise as there was no transfer of shares required to be kept pending for registration during the year.
- 23) The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A of the Act during the financial year.
- 24) The Company has not made any borrowings during the financial year ended 31st March, 2009.
- 25) The Company has placed inter-corporate deposits with other bodies corporate. The Company has not given any guarantees or provided securities to other bodies corporate. The necessary entries have been made in the Register kept for the purpose.
- 26) The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
- 27) The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
- 28) The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
- 29) The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
- 30) The Company has not altered its Articles of Association during the financial year.
- 31) There was/were no prosecution/s initiated against or show cause notices received by the Company and no fine or penalty or any other punishment was imposed on the Company during the financial year, for offences under the Act.
- 32) The Company has not received any money as security from its employees during the financial year.
- 33) The Company has deposited both employees' and employer's contributions to provident fund with the prescribed authorities pursuant to section 418 of the Act.

Signature

J. P. FERNANDES
Company Secretary
FCS no. 711, CP no. 2923

Mumbai, April 7, 2009



ANNEXURE TO SECRETARIAL COMPLIANCE CERTIFICATE

Annexure 'A' to the Compliance Certificate dated April 7, 2009

Registers as maintained by the Company

Statutory Registers:-

- 1) Register of Members under section 150 of the Act.
- 2) Minutes Books of Meetings of the Board of Directors and of the General Meetings under section 193 of the Act.
- 3) Register of Directors under section 303 of the Act.
- 4) Register of Contracts under section 301 of the Act.
- 5) Books of Accounts under section 209 of the Act.
- 6) Register of Renewed & Duplicate Share Certificates under Rule 7 of the Companies (Issue of Share Certificates) Rules, 1960.
- 7) Register of Investments or loans made, Guarantee given or Security provided under section 372A of the Act.

Other Registers:-

- 1) Transfer Register.
- 2) Register of Directors' Attendance.

The Company has not maintained the following Registers since as informed by the Company, there were no entries/transaction to be recorded therein.

- 1) Register of Investments under section 49 of the Act.
- 2) Register of Deposits under Rule 7 of the Companies (Acceptance of Deposits) Rules, 1975.
- 3) Register of Securities Bought Back under section 77A of the Act.
- 4) Register of Debenture-holders under section 152 of the Act.
- 5) Register of Charges under section 143/copies of Instruments Creating Charge under section 136 of the Act.
- 6) Index of Members under section 151 of the Act.
- 7) Register of Destruction of Records/Documents as required under the Companies (Preservation & Disposals of Records) Rules, 1966.
- 8) Register of Directors' Shareholdings under section 307 of the Act.

Annexure 'B' to the Compliance Certificate dated April 7, 2009

Forms and returns as filed by the Company with the Registrar of Companies/ Central Government, during the financial year ended on 31st March 2009.

Sr. No.	Form No./ Return	Filed under section	For	Date of filing	Whether filed within the prescribed time	If delay in filing whether requisite additional fee paid
1	Form No.23	372A	Authority to make loans not exceeding Rs.1000 lakhs in the form of Inter Corporate Deposits.	04/04/2008	Yes	Not Applicable
2	Annual Accounts Form No.23AC and Form No.23ACA	220	The Annual Accounts for the year ended on 31st March, 2008 adopted at the Annual General Meeting of the Company held on 15th July, 2008	01/08/2008	Yes	Not Applicable



ANNEXURE TO SECRETARIAL COMPLIANCE CERTIFICATE (contd.)

Sr. No.	Form No./ Return	Filed under section	For	Date of filing	Whether filed within the prescribed time	If delay in filing whether requisite additional fee paid
3	Compliance Certificate Form No.66	383A	Compliance Certificate issued by J.P. Fernandes, Company Secretary in Practice.	05/08/2008	Yes	Not Applicable
4	Annual Return Form No.20B	159	Annual Return as at 15th July, 2008	08/08/2008	Yes	Not Applicable
5	Form No.32	303	Appointment of Mr. U. Y. Phadke as Director w.e.f.20th January, 2009.	23/01/2009	Yes	Not Applicable
6	Form No.32	303	Appointment of Dr. Jaideep Devare as a Whole-time Director of the Company by the Board w.e.f. from 1st January, 2009.	29/01/2009	Yes	Not Applicable
7	Form No. 23	269, 198, 309, 310, 311	For Appointment of Dr. Jaideep Devare as a Whole-time Director of the Company by the shareholders at their Meeting held on 12th March, 2009.	24/03/2009	Yes	Not Applicable
8	Form No.25A	269, 198, 309, 310, 311	For Appointment of Dr. Jaideep Devare as a Whole-time Director of the Company and remuneration payable to him.	26/03/2009		Not Applicable

AUDITOR'S REPORT

To

The Members of **MAHINDRA INSURANCE BROKERS LIMITED**

We have audited the attached Balance Sheet of **M/s. MAHINDRA INSURANCE BROKERS LIMITED**, as at 31st March 2009 and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009, and
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **B. K. KHARE AND CO.**
Chartered Accountants

H.P. MAHAJANI
Partner
Membership No. 30168

Place: Mumbai
Date: 20th April 2009





ANNEXURE TO THE AUDITOR'S REPORT

Annexure to the Auditor's Report referred to in our report of even date:

- 1
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. These assets were physically verified by the Management during the year at reasonable intervals and no discrepancies were noticed on such verification.
 - b) None of the fixed assets have been revalued during the year.
 - c) Fixed assets disposed off during the year were not substantial and therefore do not affect going concern status
- 2 The Company has no inventory and hence the requirements of Para (ii) (a), (b) and (c) of the Order are not applicable.
- 3 Based on the records examined by us and according to the information and explanations given to us, in our opinion, the Company has:
 - i) not granted any loans to parties covered in the Register maintained under section 301 of the Companies Act, 1956.
 - ii) not taken any loans from parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. We have not come across any major weaknesses in internal control.
- 5
 - a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6 In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public and therefore the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and Rules thereunder are not applicable to the Company.
- 7 In our opinion and according to the information and explanations provided to us, the Company has an internal audit system, which is commensurate with its size and nature of its business.
- 8 On facts, the requirements of Para 4 (viii) requiring maintenance of cost records are not applicable in case of the Company..
- 9
 - a) According to the records of the Company and information and explanations given to us, the Company has been regular in depositing undisputed statutory dues with the appropriate authorities during the year.
 - b) According to the records of the Company and information and explanations given to us, as on 31st March 2009, there were no disputed dues of sales tax / income tax / custom duty / wealth tax / service tax / excise duty / cess.
- 10 The Company does not have accumulated losses as at the end of the current year. The Company has not incurred cash losses in such financial year and in the immediately preceding financial year.
- 11 Based on the records examined by us and according to the information and explanations given to us, the Company has no dues to any financial institution or bank or debenture holders.
- 12 Based on the records examined by us and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures, or other securities.



ANNEXURE TO THE AUDITOR'S REPORT (contd.)

- 13** The provisions of any special statute applicable to the Chit Funds, Nidhi or Mutual Benefit Fund / Society are not applicable to the Company.
- 14** Based on the records examined by us and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 15** According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16** Based on the records examined by us and according to the information and explanations given to us, the Company has not obtained any term loans.
- 17** Based on the records examined by us and according to the information and explanations given to us, funds raised on short-term basis have, prima facie not been used during the year for long-term investment.
- 18** The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act;
- 19** The Company has not issued debentures and hence the requirement of this clause is not applicable;
- 20** The Company has not raised money by any public issues and hence the question of disclosure and verification of end use of such money does not arise.
- 21** To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the company was noticed or reported during the year, although there have been few instances of misappropriations by some employees, the amounts whereof are not material in the context of its business and which have been provided for.

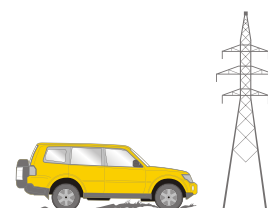
For **B. K. KHARE AND CO.**
Chartered Accountants

H.P.MAHAJANI

Partner

Membership No. 30168

Place: Mumbai
Date: 20th April 2009



BALANCE SHEET

As on March 31, 2009

		In Rupees	
	Schedule	March 2009	March 2008
SOURCES OF FUNDS:			
Shareholders' Funds :			
Share Capital	I	5,000,000	5,000,000
Reserves and Surplus	II	144,088,040	85,286,354
Deferred Tax Liability (net)		0	186,094
TOTAL		149,088,040	90,472,448
APPLICATION OF FUNDS:			
Fixed Assets:			
Gross Block		7,449,238	6,626,784
Less: Accumulated Depreciation		1,924,763	1,066,801
Net Block	III	5,524,475	5,559,983
Add: Advance for purchase of Capital Assets		0	1,120,000
		5,524,475	6,679,983
Current Assets, Loans and Advances:			
Sundry Debtors	IV	24,089,366	29,461,136
Cash and Bank balances		22,181,867	8,738,186
Other Current Assets		3,044,350	1,089,743
Loans and Advances		125,696,231	68,332,893
		175,011,814	107,621,958
Less: Current Liabilities and Provisions:			
Current Liabilities	V	5,080,935	5,008,330
Provisions		26,544,525	18,821,163
		31,625,460	23,829,493
Net Current Assets		143,386,354	83,792,465
Deferred Tax Asset (net)		177,211	0
TOTAL		149,088,040	90,472,448

The Schedules 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 & CO.**
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168
Mumbai, 20th April, 2009

For and of behalf of the Board

Uday Y. Phadke

Chairman

Dr. Jaideep Devare
Ramesh Iyer
V. Ravi

Directors

Mumbai, 20th April, 2009



PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2009

		In Rupees	
	Schedule	March 2009	March 2008
INCOME:			
Income from Operations			
(Gross, inclusive of TDS of Rs.4,12,84,330/- ; P.Y. Rs.2,79,56,054/-)	VI	224,611,336	177,519,017
Interest			
(Gross, inclusive of TDS of Rs.15,06,678/-; Previous Year Rs.4,84,734/-)		6,856,882	2,181,982
Provision for Doubtful Debts written back (net)		0	350,000
TOTAL INCOME		231,468,218	180,050,999
EXPENDITURE:			
Financial Expenses		213,320	188,039
Employee Cost	VII	94,859,451	69,548,491
Other Expenses	VIII	33,757,682	31,938,343
Depreciation & Amortisation		902,073	856,842
Provisions & Write-Offs (net)	IX	1,120,000	591,198
TOTAL EXPENDITURE		130,852,526	103,122,913
PROFIT BEFORE TAXATION		100,615,692	76,928,086
Less: Provision for Current Tax		35,000,000	26,000,000
(Add) / Less: Provision for Deferred Tax (including for previous year/s)		363,305	45,687
Less : Provision for Fringe Benefit Tax		1,317,017	1,391,143
Less : Provision for Wealth Tax		7,500	4,000
		35,961,212	27,349,456
PROFIT AFTER TAXATION		64,654,480	49,578,630
Less: Income tax adjustment for earlier years (net)		(3,044)	0
Add: Balance brought forward from earlier years		73,542,896	31,889,141
AMOUNT AVAILABLE FOR APPROPRIATION		138,194,332	81,467,771
APPROPRIATION:			
General Reserve		6,500,000	5,000,000
Proposed Dividend (Interim)		5,000,000	2,500,000
Corporate Dividend Tax (Interim)		849,750	424,875
Balance carried forward to Balance Sheet		125,844,582	73,542,896
		138,194,332	81,467,771
EARNINGS PER SHARE (Face Value Rs.10/- per share) (Rupees)			
Basic		129.30	99.16
Diluted		129.30	99.16
NOTES TO THE ACCOUNTS	X		

The Schedules referred to above form an integral part of the Profit & Loss Account
This is the Profit & Loss Account referred in our report of even date.

For **B. K. KHARE & CO.**
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168
Mumbai, 20th April, 2009

For and of behalf of the Board

Uday Y. Phadke Chairman
Dr. Jaideep Devare
Ramesh Iyer Directors
V. Ravi
Mumbai, 20th April, 2009



SCHEDULE

		In Rupees	
		March 2009	March 2008
SCHEDULE I - SHARE CAPITAL			
Authorised:			
1,000,000 (Previous Year: 1,000,000) Equity Shares of Rs.10 each		10,000,000	10,000,000
Issued Subscribed & Paid up :			
500,000 (Previous Year: 500,000) Equity Shares of Rs.10 each		5,000,000	5,000,000
TOTAL		5,000,000	5,000,000
Note:			
Mahindra & Mahindra Financial Services Limited, the Holding Company holds 500,000 (Previous Year: 500,000) shares as on 31st March 2009 (including 6 shares held jointly with nominees)			

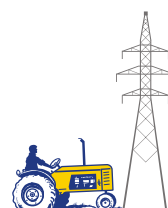
		In Rupees	
		March 2009	March 2008
SCHEDULE II - RESERVES & SURPLUS			
General Reserve:			
As per last Balance Sheet		11,743,458	6,613,264
Add / (Less): Provision for Leave Encashment and Gratuity net of Deferred Tax thereon		0	130,194
Add: Transfer during the period		6,500,000	5,000,000
		18,243,458	11,743,458
Balance in Profit & Loss Account		125,844,582	73,542,896
TOTAL		144,088,040	85,286,354

SCHEDULE III - FIXED ASSETS					In Rupees					
Description of Assets	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions for Purch/Trf	Deductions for Sale/Trf	As at 31.03.2009	Upto 01.04.2008	Additons / Trf	Deductions / Trf	Upto 31.03.2009	As at 01.04.2008	As at 31.03.2009
Vehicles	2,295,675	754,702	427,517	2,622,860	224,258	202,651	39,222	387,687	2,071,417	2,235,173
Furniture	340,333	143,803	-	484,136	19,659	36,026	-	55,685	320,674	428,451
Office Equipment	502,918	339,106	24,490	817,534	104,004	89,217	4,889	188,332	398,914	629,202
Computers	3,487,858	36,850	-	3,524,708	718,880	574,179	-	1,293,059	2,768,978	2,231,649
TOTAL	6,626,784	1,274,461	452,007	7,449,238	1,066,801	902,073	44,111	1,924,763	5,559,983	5,524,475
As at 31-03-2008	3,638,948	3,045,861	58,025	6,626,784	213,668	856,842	3,709	1,066,801	3,425,280	5,559,983

SCHEDULE (contd.)

		In Rupees	
SCHEDULE IV - CURRENT ASSETS, LOANS & ADVANCES		March 2009	March 2008
A) Current Assets			
Interest accrued but not due - Others		3,044,350	1,089,743
Sundry Debtors (Unsecured):			
- Debts outstanding for a period exceeding six months		1,058,941	613,129
- Other Debts		23,280,425	29,098,007
		24,339,366	29,711,136
- Less: Provision for Doubtful Debts		250,000	250,000
Sundry Debtors (considered good)		24,089,366	29,461,136
Cash & Bank Balances:			
- Cash and Cheques on hand		202,358	1,367,206
- Balance with Scheduled Banks in Current Account		20,979,509	6,370,980
- Term Deposit with Scheduled Banks [earmarked as IRDA Deposit]		1,000,000	1,000,000
TOTAL (A)		49,315,583	39,289,065
B) Loans and advances (unsecured, considered good):			
Inter Corporate Deposits Given		97,700,000	52,700,000
Other Advances recoverable in cash or kind or for value to be received		7,298,740	6,371,223
Advance Payment of Tax (net of provision)		20,697,491	9,261,670
TOTAL (B)		125,696,231	68,332,893
TOTAL (A + B)		175,011,814	107,621,958

		In Rupees	
SCHEDULE V - CURRENT LIABILITIES & PROVISIONS		March 2009	March 2008
Current Liabilities :			
Sundry Creditors		2,265,806	487,614
TDS Payable		535,575	514,339
Other Liabilities		2,279,554	4,006,377
TOTAL (A)		5,080,935	5,008,330
Provisions:			
Corporate Dividend Tax		849,750	0
Provision for Employee Benefits		23,981,735	16,736,923
Other Provisions		1,713,040	2,084,240
TOTAL (B)		26,544,525	18,821,163
TOTAL (A + B)		31,625,460	23,829,493



SCHEDULE (contd.)

	In Rupees	
	March 2009	March 2008
SCHEDULE VI - INCOME FROM OPERATIONS		
Brokerage	122,760,179	104,073,404
Handling Charges	101,851,157	73,445,613
TOTAL	224,611,336	177,519,017

	In Rupees	
	March 2009	March 2008
SCHEDULE VII - EMPLOYEE COST		
Salary, Bonus & Incentives	88,833,809	64,200,868
Company's Contribution to P.F. & Other Funds	5,000,539	4,317,255
Staff Welfare	1,025,103	1,030,368
TOTAL	94,859,451	69,548,491

	In Rupees	
	March 2009	March 2008
SCHEDULE VIII - OTHER EXPENSES		
Rent	2,427,384	1,331,980
Administration Support Charges	5,740,864	5,284,264
Insurance	3,623,181	2,550,977
Rates and Taxes	163,647	127,900
Legal & Professional Charges	817,974	959,913
Loss on Sale / Retirement of Owned Assets	2,895	17,008
Travelling Expenses	8,452,387	10,050,797
Auditors Remuneration		
- Audit Fees	200,000	165,180
Donations	70,857	0
General & Administrative Expenses	12,258,493	11,450,324
TOTAL	33,757,682	31,938,343

	In Rupees	
	March 2009	March 2008
SCHEDULE IX - PROVISIONS & WRITE-OFFS		
Advances written-off	1,120,000	00
Bad Debts & Write-offs	0	591,198
TOTAL	1,120,000	591,198



SCHEDULE (contd.)

SCHEDULE X - NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

SIGNIFICANT ACCOUNTING POLICIES (SAP):

1) Basis for Preparation of Accounts:

The accounts have been prepared to comply in all the material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

2) Revenue Recognition:

i. General:

The Company follows the accrual method of accounting for its income and expenditure.

ii. Brokerage Income:

Brokerage Income is recognised on accrual basis when services are rendered and is net of Service Tax.

iii. Handling Charges Income:

Handling Charges income is recognised on accrual basis when services are rendered and is net of Service Tax.

3) Share Issue Expenses:

Expenses incurred in connection with fresh issue of share capital are charged to the Profit & Loss Account in the year in which they are incurred.

4) Fixed Assets:

Fixed Assets are stated at cost of acquisition (including incidental expenses), less depreciation.

5) Depreciation:

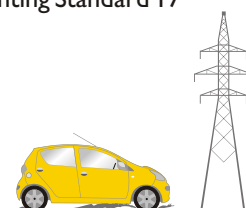
Depreciation on fixed assets is charged using the Straight Line method at rates specified in Schedule XIV to the Companies Act, 1956, except for Office Equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV. Individual assets costing less than Rs.5000/- are written off in the year of purchase.

6) Employee Benefits:

- a. Contributions to the Government Provident Fund under a defined contribution plan are charged to the Profit & Loss Account on accrual basis.
- b. The Company has a defined benefit gratuity plan which is funded with LIC under a Group Gratuity cum Life Assurance (Cash Accumulation) Policy. Every employee who has completed five years or more of service is entitled to post-employment gratuity at specified rates. Gratuity liability is measured by actuarial valuation and is recognised on accrual basis. Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- c. The amount of employee benefit in the form of compensated absences being in the nature of short-term benefits in view of past trend of settlement thereof, is accounted for on accrual basis at undiscounted value.

7) Segment Reporting:

The company has single reportable segment namely insurance auxiliary services for the purpose of Accounting Standard 17 on Segment Reporting.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP):(contd.)

8) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, 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. 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 tax income will be available against which such deferred tax assets can be realised.

9) Provisions and Contingent Liabilities:

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

NOTES TO THE ACCOUNTS:

- 1) In the opinion of the Board, Current Assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.
- 2) The company earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. The company does not expect any significant variation in the book balances.
- 3) **Related Party Disclosure as per Accounting Standard 18:**
List of the related parties:

Holding Companies	
Mahindra & Mahindra Financial Services Limited	
Mahindra & Mahindra Limited*	
Fellow subsidiary Companies :	
Mahindra First Choice Wheels Limited	
Mahindra Rural Housing Finance Limited	
Key Management Personnel	
Whole-Time Director	Dr. Jaideep Devare

Related Parties Transactions are as under:

			In Rupees
Sr. No.	Nature of transactions	Holding Companies *	Fellow subsidiary Companies
I	Income		Key Management Personnel
	Interest (Gross)	65,96,455	52,603
		(20,08,948)	-
	Handling Charges (Net of Service Tax)	10,18,32,934	18,223
		(7,34,45,613)	-

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

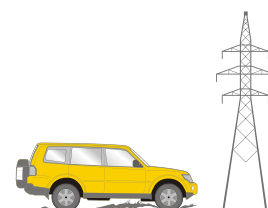
Related Parties Transactions are as under:

Related Parties Transactions are as under:				In Rupees
Sr. No.	Nature of transactions	Holding Companies *	Fellow subsidiary Companies	Key Management Personnel
2	Expense			
	Other Expenses (Net of Service Tax)	63,82,813	-	6,16,542
		(57,99,553)	-	-
3	Deputation Charges Paid			
	To Related Parties (Net of Service Tax)	5,32,374	-	-
		(4,45,321)	-	-
4	Finance			
	Inter Corporate Deposits given	7,77,00,000	2,00,00,000	-
		(5,27,00,000)	-	-
	Dividends Paid (for current year)	50,00,000	-	-
		(25,00,000)	-	-
5	Other Transactions			
	Purchase of Fixed Assets	8,24,253	-	-
		-	-	-
	Sale of Fixed Assets	-	3,90,000	-
		-	-	-
6	Outstandings			
	Receivables	1,91,46,777	61,158	-
		(74,67,983)	-	-
	Payables	18,07,102	-	-
		(4,27,488)	-	-

Amounts in brackets represent amounts pertaining to previous financial year

* Mahindra Insurance Brokers Limited is a 100% subsidiary of Mahindra & Mahindra Financial Services Limited, which in turn is a subsidiary of Mahindra & Mahindra Limited.

- 4) Expenditure incurred in Foreign Currency Rs.Nil/- (Previous Year Rs. 53,059/-)
Purchase of Fixed Assets - Rs.Nil/- (Previous Year Rs. 24,245/-)
Travelling Expenses Rs.Nil/- (P.Y. Rs. 28,814/-)
- 5) In accordance with the provisions of Accounting Standard 15 (revised) issued by the Institute of Chartered Accountants of India, cost of employee benefits in the form of compensated absences for the period ended 31st March 2009 is Rs.11,45,044/- (Previous Year Rs. 4,81,491/-) and has been recognised in the Profit & Loss Account as such. The Present Value of obligation on account of such compensated absences is Rs.29,19,102/- (Previous Year Rs. 10,90,461/-) as on 31st March 2009.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP):(contd.)

6) Defined Employee Benefits:

Gratuity (Fully Funded)

Particulars

In Rupees

	March 2009	March 2008
I Change in Obligation during the year ended 31st March 2009		
1 Present value of obligation as the beginning of the year	1,140,183	274,486
2 Interest Cost	110,135	21,959
3 Current Service Cost	1,847,529	406,281
4 Actuarial (Gain)/Loss on Obligations	(1,528,512)	437,457
5 Benefits Paid	0	0
6 Present Value of Defined Benefit Obligation at the end of the year.	1,569,335	1,140,183
II Change in Assets during the Year ended 31st March 2009		
1 Plan Assets at the beginning of the year	1,336,281	284,173
2 Expected return on plan assets.	106,904	22,734
3 Contributions by Employer	937,734	1,052,108
4 Actual benefits paid	0	0
5 Actual Gain/(Losses)	(26,324)	57,846
6 Plan Assets at the end of the year	2,354,595	1,416,861
III Net Asset/(Liability) recognised in the Balance Sheet as at 31st March 2009		
1 Present Value of Defined Obligation as at 31st March 2009	1,569,335	1,140,183
2 Fair Value of plan assets as at 31st March 2009	2,354,595	1,416,861
3 Fund status (Surplus/(Deficit))	785,260	276,678
4 Net Assets/ (Liability) as at 31st March 2009	785,260	276,678
IV Expenses recognised in the statement of Profit and Loss for the year ended 31st March 2009		
1 Current Service cost	1,847,529	406,281
2 Interest Cost	110,135	21,959
3 Expected return on Plan Assets	(106,904)	(22,734)
4 Net Actuarial (Gains)/Losses (Net of Opening Actuarial Gain/(Loss) adjustment)	(1,467,522)	125,819
5 Expenses recognised in statement of Profit & Loss	383,238	531,325
V The Major Categories in Plan Assets as a percentage of total plan		
1 Insurer Managed Funds - Life Insurance Corporation of India	100%	100%
VI Method of Valuation	Projected Unit Credit Method	
VII Actuarial Assumption		
1 Discount Rate	8%	8%
2 Expected rate of return on plan assets	8%	8%
3 Mortality Table	LIC (1994-96 Ultimate)	LIC (1994-96 Ultimate)
4 Salary Increment Rate	5%	5%
5 Retirement Age	60 Years	60 Years
6 Withdrawal	Attrition rate of 1% up to the age of 30 Years	

SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP):(contd.)

- 7) The holding company, Mahindra & Mahindra Financial Services Limited (MMFSL), has incurred cost of Rs.1,91,396/- (Previous Year Rs.1,33,543/-) when issuing Employee Stock Options (ESOS) to employees of the Company.

8) Earnings per share:	In Rupees	
	March 2009	March 2008
Amount used as numerator - Balance of Profit after Tax available for shareholders (Rs.)	64,651,436	49,578,630
Weighted average number of equity shares used in computing basic earnings per share	500,000	500,000
Weighted average number of equity shares used in computing diluted earnings per share	500,000	500,000
Basic earnings per share (Rs.) (Face value of Rs.10 per share)	129.30	99.16
Diluted earnings per share (Rs.)	129.30	99.16

- 9) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the company has accounted for Deferred Asset of Rs.1,77,211 (Previous Year Rs. 1,86,094 Deferred Tax Liability) as at 31st March 2009. The break up of the Deferred Tax Asset as at 31st March 2009 is as under:

Particulars	In Rupees	
	Deferred Tax Asset/(Liability) March 2009	Deferred Tax Asset/(Liability) March 2008
Provision for Doubtful Debts	84,975	84,975
Depreciation	(6,67,047)	(5,81,664)
Gratuity	(2,66,910)	(94,043)
Leave Encashment	9,92,203	3,70,648
Bonus and Incentive	33,990	33,990
TOTAL	1,77,211	(1,86,094)

- 10) There are no dues payable to Small Scale industrial undertakings in view of the nature of the business of the Company.
- 11) Suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, have not furnished the information regarding filing of necessary memorandum with appointed authority. In view of this and legal opinion obtained by the Company, information required under Section 22 of the said Act is not given.
- 12) Dr. Jaideep Devare was appointed whole-time director of the Company w.e.f. 1st January 2009.

Managerial Remuneration for Whole time Director:	In Rupees
	2008-09
Salaries (Including Company's Contribution to Provident Fund)	9,20,660
Perquisites	1,861
	9,22,521

Note: The above figures do not include contribution to Gratuity Fund as separate figures are not available for the whole time Director.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP):(contd.)

Computation of Net Profit in Accordance with Section 309(5) of the Companies Act, 1956:

	In Rupees
	2008-09
Profit before Taxation as per Profit and Loss Account	10,06,15,692
Add:	
i) Depreciation charged in the Accounts	9,02,073
ii) Directors' Remuneration	9,22,521
iii) Loss of Capital Nature (including sale of fixed assets / write-off of capital advances) debited to Profit & Loss Account (Net)	11,22,895
iv) Donations debited to Profit & Loss Account	70,857
	30,18,346
	10,36,35,688
Less:	
i) Depreciation u/s 350 of the Companies Act, 1956	8,39,000
ii) Lower of Donations permissible u/s 293(1)(e) and amount actually donated	70,857
	9,09,857
Net Profit as per Section 309(5)	10,27,24,181

13) Previous year's figures have been regrouped wherever necessary.

Signature to Schedule I to X

For **B. K. KHARE & CO.**
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168
Mumbai, 20th April, 2009

For and of behalf of the Board

Uday Y. Phadke

Chairman

Dr. Jaideep Devare
Ramesh Iyer
V. Ravi

Directors

Mumbai, 20th April, 2009

CASH FLOW STATEMENT

		In Rupees	
		March 2009	March 2008
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes and contingencies		100,615,692	76,928,086
Add / (Less):			
Depreciation & Amortisation		902,073	856,842
Interest Income		(6,856,882)	(2,181,982)
Provision for Doubtful Debts / Advances Written-off (net)		1,120,000	(350,000)
(Profit) / Loss on sale / retirement of assets		2,895	17,008
Operating profit before working capital changes	(I)	95,783,778	75,269,954
Less:			
(Increase)/Decrease in Trade receivables		5,371,770	(14,921,882)
(Increase)/Decrease in Loans & Advances		(927,517)	(3,360,714)
		4,444,253	(18,282,596)
Add: Increase/(Decrease) in Current liabilities		6,946,217	11,072,905
	(II)	11,390,470	(7,209,691)
Cash generated from operations	(I + II)	107,174,248	68,060,263
Income Taxes paid		(47,763,382)	(30,650,690)
NET CASH FROM OPERATING ACTIVITIES	(A)	59,410,866	37,409,573
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,274,461)	(3,685,861)
Sale of fixed assets		405,001	37,308
Interest received		4,902,275	2,240,671
Intercompany Deposits Placed		(45,000,000)	(33,500,000)
NET CASH FROM INVESTING ACTIVITIES	(B)	(40,967,185)	(34,907,882)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Dividends Paid		(5,000,000)	(2,924,875)
NET CASH FROM FINANCING ACTIVITIES	(C)	(5,000,000)	(2,924,875)
NET INCREASE / (DECREASE) IN			
CASH AND CASH EQUIVALENT (A + B + C)		13,443,681	(423,183)
CASH AND CASH EQUIVALENTS AS AT:			
Beginning of the period		8,738,186	9,161,369
End of the period		22,181,867	8,738,186

Examined and found correct
For **B. K. KHARE & CO.**
Chartered Accountants

H. P. Mahajani
Partner
Membership No. 30168
Mumbai, 20th April, 2009

For and of behalf of the Board

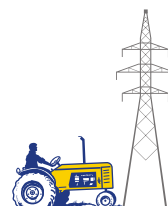
Uday Y. Phadke

Chairman

Dr. Jaideep Devare
Ramesh Iyer
V. Ravi

Directors

Mumbai, 20th April, 2009



ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.
'BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE'

I. Registration Details

Registration No. State Code
 Balance Sheet Date
 Day Month Year

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus
 Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Intangible Assets
 Investments Net Current Assets
 Miscellaneous Expenditure Accumulated Losses
 Deferred Tax Asset (Net)

IV. Performance of company (Amount in Rs. Thousands)

Turnover Total Expenditure
 + - Profit/Loss Before Tax + - Profit/Loss After Tax
 Earning per share in Rs. Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)
 Product Description

For and of behalf of the Board

Uday Y. Phadke

Chairman

Dr. Jaideep Devare
Ramesh Iyer
V. Ravi

Directors

Mumbai, 20th April, 2009

DIRECTORS' REPORT

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Second Report together with the audited Accounts of your Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

In Rupees

Particulars	For the year ended 31st March, 2009	For the period ended 31st March, 2008
Income	4,82,22,089	30,54,664
Profit /(Loss) before Depreciation & Taxation	(73,21,491)	(60,94,850)
Less : Depreciation	1,16,284	9,628
Less : Provision for tax - Current Tax/ Deferred Tax	1,97,615	(1,97,615)
Fringe Benefit Tax	3,28,000	59,200
Profit /(Loss) for the year	(79,63,390)	(59,66,063)
Profit / (Loss) brought forward from previous year	(59,66,063)	0
Balance Profit /(Loss) carried to Balance Sheet	(1,39,29,454)	(59,66,063)

OPERATIONS

In the second year of its Operations your Company has disbursed incremental loans aggregating Rs.4,339.38 lakhs (previous year Rs. 300 lakhs), covering over 2,000 families. In spite of the recession, rise in resource cost and intense competition during the year under review, your Company registered a growth in disbursements. The loss after tax for the year ended 31st March, 2009, was Rs.79.63 lakhs (previous year Rs.59.66 lakhs). The outstanding loan portfolio as at 31st March, 2009 stood at Rs.4,500 lakhs.

Your Company has been successful in establishing its presence through the branch network of its parent Company, Mahindra & Mahindra Financial Services Limited, during the year under review. Your Company has also expanded its activities in the four Southern States, in addition to the States of Gujarat and Maharashtra and has received an encouraging response in the States of Kerala and Tamil Nadu.

DIVIDEND

In view of the losses, your Directors do not recommend a dividend for the year.

SUBSCRIPTION AGREEMENT WITH NATIONAL HOUSING BANK

Your Company has received a Letter of Intent dated 10th April, 2008 from National Housing Bank (NHB) for providing financial assistance by way of equity participation. Pursuant to the Letter of Intent, the Company has executed a Subscription Agreement with NHB on 12th August, 2008.

SHARE CAPITAL

During the year under review, the Authorised Share Capital of your Company has increased from Rs.25,00,00,000 (Rupees Twenty Five Crores) consisting of 2,50,00,000 (Two Hundred and Fifty Lakhs) Equity Shares of Rs.10 (Rupees Ten) each to Rs.50,00,00,000 (Rupees Fifty Crores) consisting of 5,00,00,000 (Five Hundred Lakhs) Equity Shares of Rs.10 (Rupees Ten) each. During the year under review, your Company issued and allotted 30,00,000 equity shares of Rs.10 each, aggregating Rs.300 lakhs, to Mahindra & Mahindra Financial Services Limited (MMFSL), the parent Company on a rights basis.

Your Company has made a Preferential allotment of 7,14,285 Equity Shares of Rs.10 each to National Housing Bank (NHB) on 6th October, 2008, pursuant to the Subscription Agreement executed between the Company and NHB.

With a view to augmenting the Company's resources for its business activities and to meet its long term financial needs, your Company has in January, 2009, issued and allotted 3,99,99,995 Equity Shares of Rs.10 each, Rs.2 paid-up, aggregating Rs.800 lakhs to MMFSL and NHB, in the ratio of 87.5 : 12.5.

Consequent to the above, the paid-up Share Capital has increased from Rs.200 lakhs to Rs.1,371.43 lakhs.





DIRECTORS' REPORT (contd.)

FINANCE

As part of its Liability Management, your Company endeavours to achieve an appropriate maturity structure. During the year under review, Term loans of Rs.500 lakhs were availed from bank(s) for a tenure of 5 years.

CAPITAL ADEQUACY

The Capital to Risk Asset Ratio (CRAR) of your Company was 43.0% as against the minimum requirement of 12.0% stipulated by the National Housing Bank (NHB).

NATIONAL HOUSING BANK GUIDELINES

Your Company is in compliance with the various Guidelines issued by the National Housing Bank (NHB) from time to time. The Circulars and the Notifications issued by NHB are also placed before the Board at regular intervals along with statements indicating status of compliance with the same.

DIRECTORS

Mr. Bharat Doshi resigned as Chairman and Director of the Company with effect from 13th January, 2009. Your Board places on record its sincere appreciation of the valuable services rendered and guidance received from Mr. Bharat Doshi as Chairman and Director since the inception of the Company.

Mr. Uday Y. Phadke was appointed as Chairman of the Company with effect from 16th January, 2009. Mr. K. Muralidharan, a Nominee of National Housing Bank, was appointed as an Additional Director at the Meeting of the Board of Directors of the Company held on 16th January, 2009, not liable to retire by rotation. Mr. K. Muralidharan holds office up to the date of the forthcoming Annual General Meeting of the Company.

The Company has received a Notice from a Member under section 257 of the Companies Act, 1956, signifying the intention to propose Mr. K. Muralidharan for the office of Director.

Mr. Uday Y. Phadke retires by rotation and, being eligible, offers himself for re-appointment.

MANAGER

Mr. Anuj Mehra has been appointed as the Manager of the Company with effect from 11th April, 2008.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the loss of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Board presently comprises of Mr. Uday Y. Phadke (Chairman of the Committee), Mr. Ramesh Iyer and Mr. V. Ravi. The Audit Committee met once during the year under review.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises of Mr. Uday Y. Phadke, Mr. Ramesh Iyer and Mr. V. Ravi. The Remuneration Committee met twice during the year under review.

AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting, and have given their consent for re-appointment. The Shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 (IB) of the Companies Act, 1956, the Company has obtained a written certificate from M/s. B.K. Khare & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.



DIRECTORS' REPORT (contd.)

CREDIT RATING

During the year under review, Credit Analysis & Research Limited (CARE) has assigned 'CARE BBB-(Is)' [Triple B minus(Issuer)] rating to your Company. Issuers with this rating are considered to offer moderate safety for timely servicing of debt obligations.

PUBLIC DEPOSITS AND LOANS/ADVANCES

The Company has not accepted any deposits from the public or its employees during the year under review. 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 Clause 32 of the Listing Agreement with the parent company - Mahindra & Mahindra Financial Services Limited and the ultimate holding company - Mahindra & Mahindra Limited, are furnished separately.

CODES OF CONDUCT

The Company had adopted Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company's business and seeks to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos. The Company has for the year under review, received declarations under the Codes from the Board Members and the Senior Management and Employees of the Company affirming compliance with the respective Codes.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure I to this Report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES MADE THEREUNDER

As required under section 217(2A) of the Companies Act, 1956 and Rules thereunder, a statement containing particulars of the Company's employee who was in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2009 or not less than Rs.2,00,000 per month during any part of the said year is given in Annexure II to this Report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record their sincere appreciation to National Housing Bank, the Company's customers, bankers, shareholders and employees for the support received from them during the year under review.

For and on behalf of the Board

Uday Y. Phadke
Chairman

Mumbai, 16th April, 2009

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009.

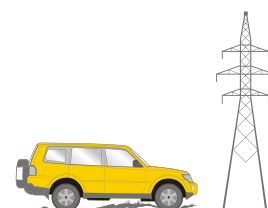
A. Conservation Of Energy

- Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Nil
- Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: These measures are expected to reduce the energy consumption.
- Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable

B. Technology Absorption

Research & Development (R & D)

- | | | |
|--|---|----------------|
| 1. Areas in which R & D is carried out | : | None |
| 2. Benefits derived as a result of the above efforts | : | Not applicable |
| 3. Future plan of action | : | None |



DIRECTORS' REPORT (contd.)

4. Expenditure on R & D : Nil
5. Technology absorption, adaptation and innovation : None
6. Imported Technology for the last 5 years : None

C. Foreign Exchange Earnings And Outgo

There were no foreign exchange earnings or outgo during the year under review.

ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2009.

Name of Employee	Designation / Nature of Duties	Gross Remuneration (subject to income tax)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, Designation and Organisation
Mr. Anuj Mehra	Manager	3,145,629	Bachelor in Economics P.G.D.M., I.I.M. (Ahmedabad)	25	48	1st March, 2009	Vice President - Marketing Mahindra Lifespace Developers Limited

Notes :

1. Nature of employment is permanent, subject to termination on one month's notice on either side.
2. The above employee is not a relative of any Director of the Company.
3. The above employee does not hold by himself or alongwith his spouse and dependent children 2% or more of the equity shares of the Company.
4. Terms and conditions of employment are as per Company's Rules/contract.
5. Gross remuneration received as shown in the statement includes Salary, Bonus, House Rent Allowance or value of perquisites for accommodation, car perquisites value/allowances applicable, employer's contribution to Provident Fund, Superannuation scheme and Gratuity Fund including group insurance premium, leave travel facility, reimbursement of medical expenses and all allowances/perquisites and terminal benefits as applicable.

For and on behalf of the Board

Uday Y. Phadke
Chairman

Mumbai, 16th April, 2009

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 CLAUSE 32 OF THE LISTING AGREEMENT WITH THE PARENT COMPANY- MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED AND THE ULTIMATE HOLDING COMPANY - MAHINDRA & MAHINDRA LIMITED

Loans and advances in the nature of loans to firms/companies in which Directors are interested:

Name of the Company	Rs. in lacs	
	Balance as on 31st March, 2009	Maximum outstanding during the year
Mahindra & Mahindra Financial Services Limited	0.00	50.38

The Company has not made any loans and advances in the nature of loans to subsidiaries, associates, and loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956.

AUDITORS' REPORT

To

**THE MEMBERS
MAHINDRA RURAL HOUSING FINANCE LIMITED**

We have audited the attached Balance Sheet of **M/s. Mahindra Rural Housing Finance Limited**, as at 31 March 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, as amended from time to time, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009, and
 - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended as on that date.

For B. K. KHARE & CO.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784

Place : Mumbai
Date : 16th April, 2009





ANNEXURE TO THE AUDITORS' REPORT

Annexure to the Auditor's Report referred to in our report of even date:

1.
 - i. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - ii. Fixed assets have been physically verified by the management during the year. In our opinion, management's program of verification provides for physical verification of all fixed assets at reasonable intervals. No material discrepancies were noticed on such verification.
 - iii. No fixed assets were disposed off during the period.
2. Clause 4(ii) of Companies (Auditor's Report) Order, 2003 is not applicable to Stock on Hire.
3.
 - i. In our opinion and according to the information and explanations provided to us, during the period, Company has not granted any loans to parties covered under section 301 of the Companies Act, 1956.
 - ii. During the period, Company has not taken any unsecured loans from the parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us the company is having an adequate internal control system commensurate with the size and the nature of its business, for the purchase of fixed assets and sale of services. The activities of the company do not involve purchase of inventory and sale of goods. No major weaknesses in internal control system were noticed in the course of our audit.
5.
 - i. In our opinion and according to the information and explanations given to us all the particulars of contracts and arrangements referred in section 301 of the Act have been entered in the register required to be maintained under that section.
 - ii. In our opinion and according to the information and explanations given to us each of these transactions in respect of any such parties during the financial period have been made at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, provisions of sections 58A, 58AA and any other relevant provisions of the Act and the rules framed there under, in respect of deposits accepted from the public are not applicable to the company.
7. In our opinion and according to the information and explanations provided to us the company has an internal audit system, which is commensurate with its size and nature of its business.
8. In respect of the activities of the company, maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
9.
 - i. On the basis of our examination of books of accounts and according to the information and explanations given to us the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax and Service Tax, cess and other applicable statutory dues with the appropriate authorities.
 - ii. There are no disputed tax dues remaining to be deposited with the relevant authority.
10. The company was incorporated and commenced its operations in FY0708. The accumulated loss at the end of the year is Rs. 1,39,29,454/-.
11. On the basis of our examination of books of accounts and documents and according to the information and explanations given to us the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. From the examination of books of accounts and according to the information and explanations provided to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a Chit fund, nidhi, mutual benefit fund or a society.
14. The company is not dealing or trading in shares, securities, debentures or any other investments.



ANNEXURE TO THE AUDITORS' REPORT (contd.)

15. In our opinion and according to the information and explanations given to us the company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us, during the year term loans were applied for the purpose for which the loans were obtained.
17. On the basis of overall examination of the financial statements and other financial information furnished, we report that the company has not used short-term funds for long-term investments.
18. During the period, no preferential allotment of shares was made to any of the entities covered in the register maintained under section 301 of the Companies Act, 1956.
19. Company has not issued any secured debentures.
20. During the period, company not made any public issue of its equity shares.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company were noticed or reported during the year.

For B. K. KHARE & CO.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784

Place : Mumbai
Date : 16th April, 2009



BALANCE SHEET

As on March 31, 2009

		In Rupees	
	Schedule	March 2009	March 2008
SOURCES OF FUNDS :			
Shareholders' Funds :			
Capital	I	137142840	20000000
Reserves & Surplus		0	0
		137142840	20000000
Loan Funds :			
Secured Loans	II	150000000	0
Unsecured Loans	III	178100000	100000000
		328100000	100000000
TOTAL		465242840	120000000
APPLICATION OF FUNDS :			
Fixed Assets:			
Gross Block	IV	797344	96356
Less : Depreciation		125913	9628
Net Block		671431	86728
Add : Capital Work-in-Progress		0	0
		671431	86728
Investments	V	0	90039468
Deferred Tax Asset		0	197615
Current Assets and Loans and advances :			
a) Cash & Bank Balances	VI	6668118	1130281
b) Other Current Assets		1237374	436888
c) Loans & Advances		452961214	29897886
		460866707	31465054
Less : Current Liabilities	VII	7509279	7754928
Provisions	VIII	2715473	0
Net Current Assets		450641955	23710126
Profit & Loss Account (Dr.)		13929454	5966063
TOTAL		465242840	120000000

The Schedules 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 & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784
Mumbai, 16th April, 2009

Binal Thakker
Company Secretary

Uday Y. Phadke
Ramesh Iyer
V. Ravi
K. Muralidharan

Chairman
Directors

Mumbai, 16th April, 2009



PROFIT & LOSS ACCOUNT

For the year ended March 31, 2009

		In Rupees	
	Schedule	March 2009	March 2008
INCOME :			
Income from Operations	IX	45911787	2296303
Other Income	X	2310302	758362
TOTAL INCOME		48222089	3054664
EXPENDITURE :			
Financial Expenses	XI	18394877	165706
Employee cost	XII	17878165	1676816
Other Expenses	XIII	19270538	7306993
Depreciation		116284	9628
TOTAL EXPENDITURE		55659864	9159143
LOSS BEFORE TAXATION		(7437775)	(6104478)
Less : Current tax		0	0
Add/(Less) : Deferred tax		197615	(197615)
Less : Provision for Fringe Benefit Tax		328000	59200
LOSS FOR THE YEAR		(7963390)	(5966063)
Add : Adverse Balance brought forward from earlier years		(5966063)	0
AMOUNT AVAILABLE FOR APPROPRIATION		(13929454)	(5966063)
APPROPRIATION :			
Balance Profit /(Loss) carried to Balance Sheet		(13929454)	(5966063)
		(13929454)	(5966063)
Earning Per Share (Refer Notes to the Accounts - 5)			
(Face Value of Rs. 10 per share)			
Earning Per Share (Basic) Rs.		(1.07)	(3.69)
Earning Per Share (Diluted) Rs.		(1.07)	(3.69)
Notes to the Accounts	XIV		

The Schedules referred to above and attached notes form an integral part of the Profit & Loss Account.
This is the Profit & Loss referred to in our report of even date.

For **B. K. KHARE & CO.**
Chartered Accountants

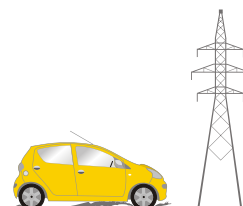
Padmini Khare Kaicker
Partner
Membership No. 44784
Mumbai, 16th April, 2009

Binal Thakker
Company Secretary

Uday Y. Phadke
Ramesh Iyer
V. Ravi
K. Muralidharan

Chairman
Directors

Mumbai, 16th April, 2009



SCHEDULE

	In Rupees	
	March 2009	March 2008
SCHEDULE I - SHARE CAPITAL		
Authorised : 5,00,00,000 Equity shares of Rs.10/- each (Previous Year 2,50,00,000 shares of Rs. 10/- each)	500000000	250000000
Issued Share capital : 4,57,14,280 Equity shares of Rs.10/- each (57,14,285 equity shares are fully paid and 3,99,99,995 Shares are partly paid of Rs 2 previous year 20,00,000 shares of Rs. 10/- each)	137142840	200000000
Subscribed and Paid-up : (57,14,285 Equity shares of Rs.10/- each fully paid up and 3,99,99,995 Shares are partly paid of Rs 2 /- previous year 20,00,000 shares of Rs. 10/- each) (Refer Notes to The Accounts-I)	137142840	200000000
TOTAL	137142840	200000000
Note :- Mahindra & Mahindra Financial Services Ltd, the Holding Company holds 4,00,00,000 shares (previous year:20,00,000 shares) as on 31st March, 2009 (including 6 shares held jointly with nominees).		

	In Rupees	
	March 2009	March 2008
SCHEDULE II - SECURED LOANS		
Term Loans from Banks (Repayable within a Year Rs.37500000)	150000000	0
TOTAL	150000000	0

	In Rupees	
	March 2009	March 2008
SCHEDULE III - UNSECURED LOANS		
Term Loans from Banks (Repayable within a Year Rs. nil)	0	100000000
Inter Corporate Deposits (Repayable fully within a year)	178100000	0
TOTAL	178100000	100000000

SCHEDULE (contd.)

SCHEDULE IV - FIXED ASSETS

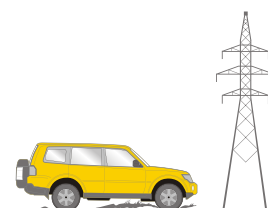
GROSS BLOCK AT COST					DEPRECIATION			NET BLOCK	
As at 01.04.2008	Additions for Purchi/Trf	Deductions for Sale/Trf	As at 31.03.2009	Upto 01.04.2008	For the year / Trf	Deductions / Trf	As at 31.03.2009	As at 01.04.2008	As at 31.03.2009
Owed Assets :									
Computers	96356	47657	0	9628	15852	0	25481	86728	118532
Office									
Equipment	0	602230	0	0	98921	0	98921	0	503309
Furniture	0	51101	0	0	1511	0	1511	0	49590
GRAND TOTAL	96356	700988	0	9628	116284	0	125913	86728	671431
As at 31.03.2008	0	96356	0	0	9628	0	9628	0	86728

SCHEDULE V - INVESTMENTS

Particulars	In Rupees		In Rupees	
	Long Term	March 2009 Current	Long Term	March 2008 Current
Investments in Mutual Fund units: (Unquoted, Non trade, At cost)	0	0	0	90039468
		0		90039468

a) Following are the movements in Units during the year :

Sr.no	Name of the Mutual Fund	Acquired		Sold	
		Units	Rs.	Units	
1	Kotak Mutual Fund	209639	2563491	3483171	
2	Templeton India Mutual Fund	47489	47541277	97487	
3	HDFC Mutual Fund	10341577	109997154	10341577	
4	Tata Mutual Fund	17997	20057916	17997	



SCHEDULE (contd.)

		In Rupees	
		March 2009	March 2008
SCHEDULE VI - CURRENT ASSETS, LOANS & ADVANCES			
[A] Current Assets :			
Interest accrued on - a) Investments	0	0	
- b) Others	623059	109417	
Other Current Assets	614315	327471	
Cash & Bank balances:			
- Cash & Cheques on hand	656927	197951	
- Balance with Scheduled Banks in current accounts	6011191	932330	
TOTAL (A)	7905493	1567169	
[B] Loans & Advances (Unsecured unless otherwise stated)			
Deposits others	500000	0	
Housing Loans (Secured) (including overdue loans)			
- considered good	452066333	29774063	
- considered doubtful	0	0	
	452066333	29774063	
Advance payment of tax (net of provisions)	394881	123823	
TOTAL (B)	452961214	29897886	
TOTAL (A+B)	460866707	31465054	

		In Rupees	
		March 2009	March 2008
SCHEDULE VII - CURRENT LIABILITIES			
Sundry Creditors	4467936	2316466	
Other Current Liabilities	1386265	383181	
Credit balances in Current Accounts with Banks	0	4981651	
Interest Accrued But Not Due - Loans	1655078	73630	
TOTAL	7509279	7754928	

		In Rupees	
		March 2009	March 2008
SCHEDULE VIII - PROVISIONS			
Provision for Employee Benefits (Refer Notes to the accounts -3)	2715473	0	
TOTAL	2715473	0	

		In Rupees	
		March 2009	March 2008
SCHEDULE IX - INCOME FROM OPERATIONS			
Income from Loan	45897035	2296303	
Profit on pre-termination	14752	0	
TOTAL	45911787	2296303	



SCHEDULE (contd.)

	In Rupees	
	March 2009	March 2008
SCHEDULE X - OTHER INCOME		
Dividend Received from Mutual Fund	1439153	39468
Interest on ICD (TDS Rs.11702 /-, Previous Year Rs. 162903 /-)	51644	718894
Interest on Term Deposit	798822	0
Profit/Premium on Sale/Redemption of Investment	20683	0
TOTAL	2310302	758362

	In Rupees	
	March 2009	March 2008
SCHEDULE XI - FINANCIAL EXPENSES		
Interest on		
- Fixed loans	13999012	73630
- Others	3509616	15085
Bank Charges	886249	76991
TOTAL	18394877	165706

	In Rupees	
	March 2009	March 2008
SCHEDULE XII - EMPLOYEE COST		
Salary, Bonus & Incentives	16663868	1600764
Company's Contribution to P.F. & other funds	1028726	71493
Staff Welfare	185571	4559
TOTAL	17878165	1676816

	In Rupees	
	March 2009	March 2008
SCHEDULE XIII - OTHER EXPENSES		
Rent	216413	0
Rates and Taxes	1410754	212653
Legal and Professional Charges	6508434	2686175
Auditor's Remuneration		
-Audit Fees	55150	56180
-Other Services	66984	5618
Insurance	551603	5187
Printing And Stationery	1161262	392015
Travelling Expenses	1395083	204156
Conveyance Expenses	1556579	64057
Computer Expenses	845000	608400
Recruitment Expenses	428736	196510
Administration Support Charges	881150	258734
General and Administrative Expenses	2006245	723528
Share Issue Expenses	2187143	1893780
TOTAL	19270538	7306993





SCHEDULE (contd.)

SCHEDULE XIV

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009.

SIGNIFICANT ACCOUNTING POLICIES (SAP)

1) ACCOUNTING CONVENTION

These accounts are prepared in accordance with historical cost convention and on accrual basis, applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The National Housing Bank.

2) USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

3) INFLATION

Assets and liabilities are recorded at historical cost to the Company. These costs are not adjusted to reflect the changing value in the purchasing power of money.

4) REVENUE RECOGNITION

- a) General: The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges and service charges, fee based income, which on account of uncertainty of ultimate collection are accounted on receipt basis. In accordance with the guidelines issued by the National Housing Bank for Housing Finance Companies, income on business assets classified as non-performing assets, is recognised on receipt basis.
- b) Interest and other income from Housing Loans : Repayment of housing loans is generally by way of Equated Monthly/Quarterly/Half yearly Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is accounted every month.

5) 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.

6) FIXED ASSETS

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation. Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

7) INVESTMENTS

Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value which ever is less.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP) (contd.)

8) DEPRECIATION

Depreciation on fixed assets is charged using Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 except for:

- a) Office equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
- b) Assets costing less than Rs.5000/- are fully depreciated in the year of purchase and
- c) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.

9) INCOME-TAX

The accounting treatment for Income-tax in respect of the Company's income is based on the Accounting Standard on 'Accounting for Taxes on Income' (AS 22) issued by the Institute of Chartered Accountants of India. The provision for Income-tax made in the Accounts shall comprises of tax on current income and deferred tax. Deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

10) MISCELLANEOUS EXPENDITURE

Preliminary and pre-operative expenses are charged to Profit and loss account in the year of incurrence.

11) EMPLOYEE BENEFITS

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

a) Defined Contribution Plans-

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are recognised in the Profit and loss Account.

b) Defined Benefit Plan -

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- c) Liability on account of encashment of leave to employees is considered as short term compensated expense provided at actuals.



SCHEDULE (contd.)

SIGNIFICANT ACCOUNTING POLICIES (SAP) (contd.)

12) BORROWING COST

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. The expenditure incurred in raising long-term borrowings is amortised over the period of borrowings. On early repayment of borrowings, any unamortized expenditure is fully written off in that year.

NOTES TO THE ACCOUNTS:

- 1) During the year, the Company has allotted 4,37,14,280 Equity shares of Rs. 10 each at par on a preferential basis. Out of these, 37,14,285 shares are issued as fully paid (30,00,000 to Mahindra & Mahindra Financial Services Ltd and 7,14,285 shares to National Housing Bank) and 3,99,99,995 shares are issued as partly paid at Rs.2 per share (3,50,00,000 shares to Mahindra & Mahindra Financial Services Ltd and 49,99,995 shares to National Housing Bank).
- 2) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated, if realized, in the ordinary course of business.
- 3) Employee Benefits:

Defined Benefit Plans -As per actuarial valuation on 31st March, 2009

Gratuity (Funded)

In Rupees

March 2009

I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March

1	Current service cost	330947.00
2	Interest cost	0.00
3	Expected return on plan assets	0.00
4	Actuarial (Gains)/Losses	0.00
5	Total expense	330947.00

II. Net asset/(liability) recognised in the Balance Sheet as at 31st March

1	Present Value of Defined Benefit obligation as at 31st March	330947.00
2	Fair value of plan assets as at 31st March	0.00
3	Funded status (surplus/(deficit))	(330947.00)
4	Net asset/(liability) as at 31st March	(330947.00)

III. Change in the obligations during the year ended 31st March

1	Present Value of Defined Benefit obligation at the beginning of the year	0.00
2	Current service cost	330947.00
3	Interest cost	0.00
4	Actuarial (Gains)/Losses	0.00
5	Benefits paid	0.00
6	Present Value of Defined Benefit obligation at the end of the year	330947.00

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

Gratuity (Funded)

In Rupees

March 2009

IV. Change in the fair value of plan assets during the year ended 31st March

1	Fair value of plan assets at the beginning of the year	0.00
2	Expected return on plan assets	0.00
3	Contributions by employer	0.00
4	Actuarial (Gains)/Losses	0.00
5	Actual Benefits paid	0.00
6	Fair value of plan assets at the end of the year	0.00

V. Major category of plan assets as a percentage of total plan

Funded with LIC	100%
Others	

VI. Actuarial Assumptions

1	Discount Rate	8% p.a.
2	Rate of Salary increase	5% p.a.
3	In-service Mortality	LIC (1994-96) ULTIMATE

4) The company has only one reportable segment of business viz. Housing Finance business for the purpose of AS 17 Segment Reporting and all other activities are incidental to the main business activity.

5) In Accordance with the Accounting Standard on " Earning Per Share " (AS 20) issued by the Institute of Chartered Accountants of India, the EPS is calculated as follows:

Particulars	March 2009	March 2008
Net Profit/ (Loss) attributable to Equity Share Holders	(7963390)	(5966063)
Weighted Average Numbers of Shares (Basic)	7422842	2000000
Weighted Average Numbers of Shares (Diluted)	7422842	2000000
EPS - (Basic) (Rs.)	(1.07)	(3.69)
EPS - (Diluted) (Rs.)	(1.07)	(3.69)

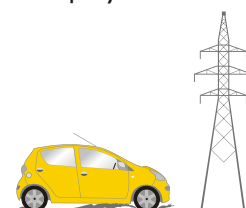
6) Provision for current tax is not made in accounts in view of the losses. Deferred tax asset of Rs.2,64,810 (previous year Rs.1,97,615) will be recognized only when the company achieves operating profits, meeting the test of virtual certainty of absorbing the same.

7) Contingent Liability not provided for :

Legal suites filed by the customer in Consumer Forum claiming compensation against company amounting to Rs. 1,70,000 (previous year Rs nil).

8) The holding company, Mahindra & Mahindra Financial Services Limited (MMFSL), has incurred cost of Rs. 62,799 (previous year Rs. 2,633) and Mahindra and Mahindra Limited has incurred cost of Rs.48,302 (previous year Rs. nil) on account of issuance of Employee Stock Options (ESOS) to employees of the Company.

9) There are no dues payable to Small Scale industrial undertakings in view of the nature of the business of the Company.



SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

10) Suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 have not furnished the information regarding filing of necessary memorandum with appointed authority. In view of this and legal opinion obtained by the Company, information required under Schedule VI of the Companies Act, 1956 to that extent is not given.

11) Related Party Disclosure as per Accounting Standard 18:

List of the related parties which has transaction with our Company during the year:

Holding Company / Companies	:	Mahindra & Mahindra Limited *
		Mahindra & Mahindra Financial Services Limited
Fellow subsidiary Companies	:	Mahindra Insurance Brokers Limited
Key Management Personnel	:	Mr. Anuj Mehra (Chief Executive Officer)

Related Parties transactions are as under.

		In Rupees		
Sr. No.	Nature of transactions	Holding Companies	Fellow Subsidiary Companies	Key Management Personnel
1	Income			
	Interest	51,644	-	-
		(718,894)	-	-
2	Expenses			
	Interest	1,864,226	52,602	-
		(15,085)	-	-
	Other Expenses	881,150	18,223	3,145,659 **
		(2,073,012)	-	(1,789,557)
3	Issue of equity shares	100,000,000	-	-
		(20,000,000)	-	-
4	Finance			
	Inter Corporate Deposits taken			
	(including interest accrued but not due)	159,541,792	20,040,683	-
		-	-	-
5	Other Transactions			
	Reimbursement to parties	60,530	-	-
		(340,851)	-	-
6	Outstandings			
	Payables	511,489	20,475	-
		(1,481,165)	-	-

* Mahindra Rural Housing Finance Limited is a subsidiary of Mahindra & Mahindra Financial Services Limited, which in turn is a subsidiary of Mahindra & Mahindra Limited.

** Includes amount paid to Mahindra and Mahindra towards deputation charges of Rs.27,50,000/- (Previous year: Rs.1789557/-) for Mr.Anuj Mehra for the period April 2008 to February 2009.

SCHEDULE (contd.)

NOTES TO THE ACCOUNTS: (contd.)

12) Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956 for the quarter ended on 31st March, 2009.

	In Rupees	
	Financial Year 2008 - 2009	Financial Year 2007 - 2008
Profit before Taxation as per Profit and Loss Account	(7,437,775)	(6,104,478)
Add : Depreciation charged in the Account	116,284	9,628
Managers' Remuneration including Directors' fees	3,145,659	1,789,557
	3,261,943	1,799,185
	(4,175,832)	(4,305,293)
Less : Depreciation u/s 350 of the Companies Act, 1956	116,284	9,628
	116,284	9,628
TOTAL	(4,292,116)	(4,314,921)

	In Rupees	
	Financial Year 2008 - 2009	Financial Year 2007 - 2008
Managers' Remuneration	3,145,659	1,789,557
(Approved by special resolution in EGM held on 25th June, 2008)		
TOTAL	3,145,659	1,789,557

Signature to Schedule I to XIV

For **B. K. KHARE & CO.**
Chartered Accountants

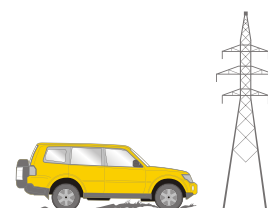
Padmini Khare Kaicker
Partner
Membership No. 44784
Mumbai, 16th April, 2009

Binal Thakker
Company Secretary

Uday Y. Phadke
Ramesh Iyer
V. Ravi
K. Muralidharan

Chairman
Directors

Mumbai, 16th April, 2009



CASH FLOW STATEMENT

For the Period Ended March 31, 2009

		In Rupees	
		March 2009	March 2008
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes and contingencies		(7437775)	(6104478)
Add/(Less):			
Non Cash Expenses :			
Depreciation		116284	9628
Add/(Less):		116284	9628
Income / Expense considered separately:			
Income on investing activities		(2310302)	(758362)
Share Issue Expenses		2187143	1893780
		(123159)	1135418
Operating profit before working capital changes	(I)	(7444650)	(4959432)
Less:			
(Increase)/Decrease in interest accrued others		(800486)	(436888)
(Increase)/Decrease in Loans & Advances		(422792271)	(29774063)
		(423592757)	(30210951)
Add: Increase in Current liabilities		2469823	7754928
	(II)	(421122933)	(22456023)
Cash generated from operations	(I+II)	(428567583)	(27415454)
Advance taxes paid		(599058)	(183023)
		(429166641)	(27598477)
NET CASH FROM OPERATING ACTIVITIES	(A)	(429166641)	(27598477)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(700988)	(96356)
Purchase of Investments		0	(90039468)
Sale of Investments		90039468	0
Income received on investments		2310302	758362
NET CASH FROM INVESTING ACTIVITIES	(B)	91648782	(89377462)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares (net of issue expenses)		114955697	18106220
Increase/(Decrease) in long term borrowings (net)		228100000	100000000
NET CASH FROM FINANCING ACTIVITIES	(C)	343055697	118106220
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	(A+B+C)	5537838	1130281
CASH AND CASH EQUIVALENTS AS AT:			
Beginning of the period		1130281	0
End of the year		6668118	1130281

Examined and found correct

For **B. K. KHARE & CO.**
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784
Mumbai, 16th April, 2009

Binal Thakker
Company Secretary

Uday Y. Phadke
Ramesh Iyer
V. Ravi
K. Muralidharan

Chairman
Directors

Mumbai, 16th April, 2009

BALANCE SHEET ABSTRACT

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 00169791 State Code 11

Balance Sheet Date 31 03 2009
Day Month Year

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue Rights Issue

110000

Bonus Issue Private Placement

7143

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities Total Assets
465243

Sources of Funds

Paid-up Capital Reserves & Surplus

137143 NIL

Secured Loans Unsecured Loans

150000 178100

Application of Funds

Intangible Assets Net Fixed Assets

671

Investments Net Current Assets

450642

Miscellaneous Expenditure Accumulated Losses

13929

Deferred Tax Asset (Net)

NIL

IV. Performance of company (Amount in Rs. Thousands)

Turnover Total Expenditure

48222 55660

+ - Profit/Loss Before Tax + - Profit/Loss After Tax

-7438 -7963

Earning per share in Rs. Dividend Rate %

Basic Diluted NIL

-1.07 -1.07

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) NIL

Product Description
HOUSING LOANS

Uday Y. Phadke Chairman

Binal Thakker
Company Secretary

Ramesh Iyer
V.Ravi
K. Murlidharan Directors

Mumbai, 16th April, 2009



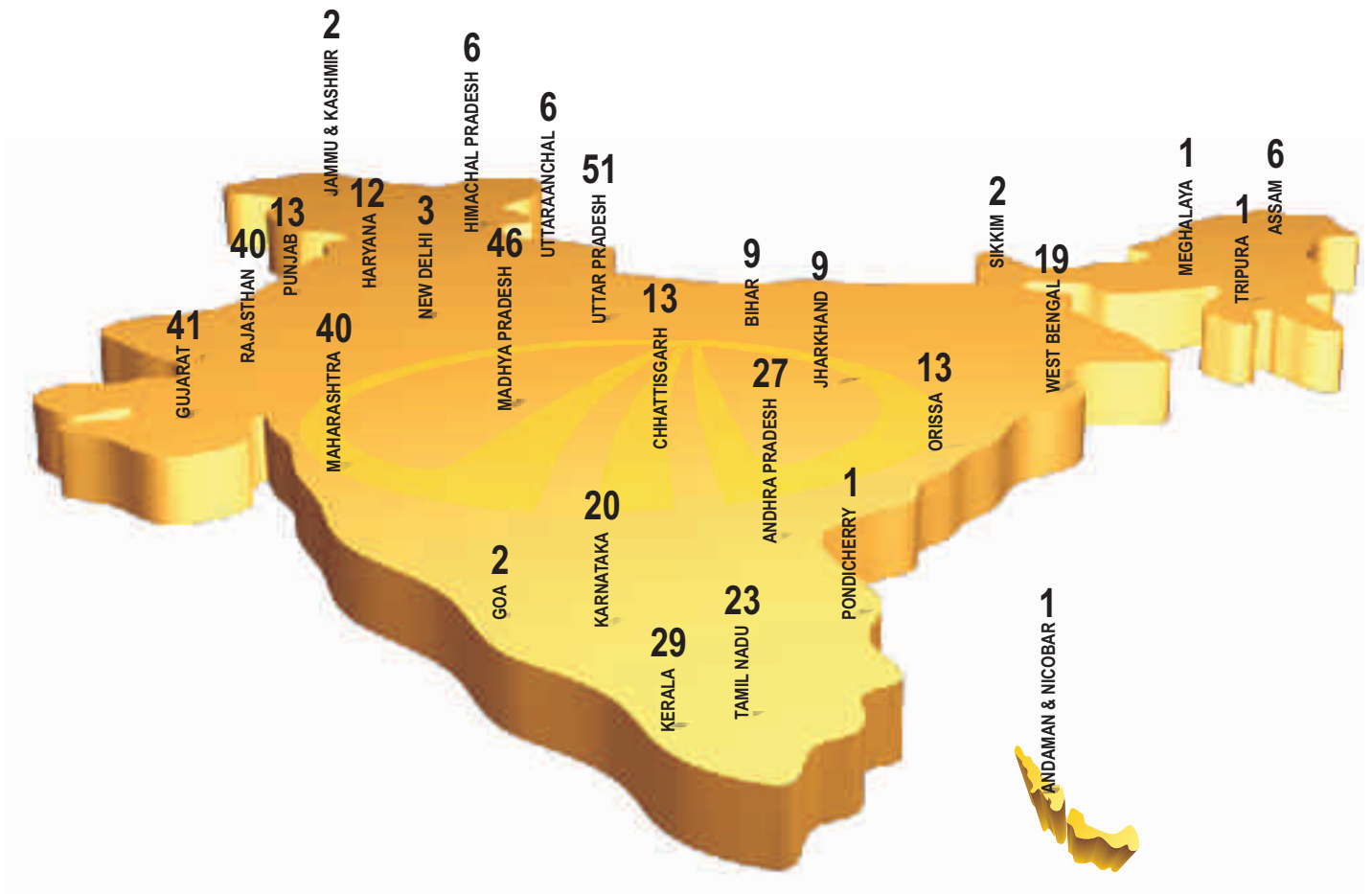


This image shows a blank page from a notebook or journal. In the top-left corner, there is a large, thick yellow arrow pointing diagonally upwards and to the right. Below the arrow, the word "NOTES" is printed in a bold, black, sans-serif font. The majority of the page is filled with approximately 28 thin, grey horizontal lines, providing space for handwritten notes. At the very bottom of the page, there is a decorative footer area. On the left side of this area is a small, stylized illustration of a yellow house with a dark roof and a chimney, next to some green foliage. To the right of the illustration, the number "172" is printed in a simple black font.

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