

Mahindra & Mahindra Financial Services Limited

Issue opens on February 21, 2006

Price band fixed at Rs.170- Rs.200

MUMBAI, February 13, 2006: Mahindra & Mahindra Financial Services Ltd (MMFSL), one of India's leading non-banking finance companies focused on providing finance for utility vehicles, Tractors and cars in the rural and semi-urban sector, is entering the capital market with its initial public offering of 20 million equity shares of Rs.10 each for cash at a premium to be decided through the book-building process. The price band for the issue has been fixed between Rs.170 and Rs.200 per share. The issue opens on February 21, 2006 and closes for bids/subscription on February 24, 2006.

Of the 20 million shares on offer, 10 million equity shares are fresh issue and the balance 10 million are offer for sale by Mahindra & Mahindra and other existing shareholders of the company.

60% of the issue will be available for allotment to qualified institutional buyers, of which 5% will be allotted to Mutual Funds. 10% of the issue will be available for allotment to non-institutional investors and the balance 30% will be available for allotment on a proportionate basis to retail investors.

The company is entering the capital market with a view to get its equity shares listed on the stock exchanges as also strengthen its Tier I capital to service the growing business opportunities. MMFSL will be listing its shares on both the National Stock Exchange & the Bombay Stock Exchange.

MMFSL, which is involved in providing finance for utility vehicles, tractors and cars both new and old and is a subsidiary of Mahindra & Mahindra, a leading tractor and Utility Vehicle manufacturer.

Mr. Anand Mahindra, Chairman of the company and Vice-Chairman of Mahindra & Mahindra, speaking at a press conference to announce the initial public offering, said, "We originally set up this company to provide finance to M&M dealers for purchase of M&M vehicles and tractors. This company has spread its wings and established its credentials in the Indian rural and semi-urban financial markets. We believe that the organized sector of financial services market in rural and semi-urban areas is likely to continue to experience growth."



To carve a niche for itself in these markets, the company has positioned itself between the organized banking sector and local money lenders, offering customers competitive, flexible and speedy lending services. The company distributes its wide range of financial products and services through its nationwide distribution network. MMFSL has a branch network of 295 branches spread across 25 states and two Union Territories across India and has entered into a total of 430,000 customer contracts since inception.

Mr. Bharat Doshi speaking on the occasion said to further expand its reach in September 2005 the company has tied up with Hindustan Petroleum Corporation Ltd (HPCL), one of India's leading public sector petroleum refining and distribution companies, to establish outlets in selected petrol stations. MMFSL would use these outlets to make available new loans and provide payment services in respect of existing loans. These would be like extension counters that help the company get closer to its customers.

MMFSL, which has an early mover advantage in the rural and semi urban markets where it operates, has created its systems and processes to suit the largely cash oriented rural economy. The company's executives reach out to the customers for collecting payments and thus have developed customer relationship.

Mr. Ramesh Iyer, Managing Director of MMFSL, said, "We plan to continue expanding our customer base through a combination of enhancing our branch network and dealer associations, and increasing our loan portfolio of non-M&M vehicles. We also expect to continue to benefit from sales of new and existing M&M products. We commenced insurance broking business in our subsidiary, MIBL during Fiscal 2005. We have recently diversified into the distribution of third party mutual funds. We also plan to enter new segments of lending business such as personal loans and housing loans either directly or through a subsidiary."

The company has witnessed all round growth in its business. Its Loan Assets have grown substantially in recent years from Rs. 11,702.1 million as of March 31, 2003 to Rs. 26,310.6 million as of March 31, 2005 and to Rs. 36,628.7 million as of December 31, 2005.

MMFSL's total income increased from Rs. 2,459.6 million for fiscal 2003 to Rs 4,047.6 million for fiscal 2005 at a compound annual growth rate of 28.3%. During the same period profit after tax increased at a compound annual growth rate of 36.5% from Rs. 441.8 million to Rs. 822.7 million. As of December 31, 2005, total income was Rs. 3983.0 million and profit after tax was Rs. 610.7 million.

The company has a CRISIL rating of AA+/stable for its long term debt and P1+ rating for short term debt..



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