

PROSPECTUS

Please read Section 60B of the Companies Act, 1956

Dated February 28, 2006

100% Book Built Issue



MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(Originally incorporated as Maxi Motors Financial Services Limited on January 1, 1991 under the Companies Act, 1956 as a public limited company and the name was changed to Mahindra & Mahindra Financial Services Limited on November 3, 1992).

Registered Office: Gateway Building, Apollo Bunder, Mumbai 400 001, Maharashtra, India

Tel: 91 22 2202 1031; Fax: 91 22 2287 5485

Corporate Office: Sadhana House, 2nd Floor, Behind Mahindra Towers, 570, P. B. Marg, Worli, Mumbai 400 018, Maharashtra, India

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Public Issue of 20,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. 200 per Equity Share aggregating Rs. 4,000 million, comprising a Fresh Issue of 10,000,000 Equity Shares of Rs. 10 each by Mahindra & Mahindra Financial Services Limited ("Mahindra Finance", the "Company" or the "Issuer") and an Offer for Sale of 10,000,000 Equity Shares of Rs. 10 each by Mahindra & Mahindra Limited ("M&M") and certain other shareholders of the Company (together with M&M the "Selling Shareholders"). The Fresh Issue and the Offer for Sale are jointly referred to herein as the Issue ("the Issue"). The Issue will constitute 23.26% of the fully diluted post issue paid-up capital of the Company.

ISSUE PRICE RS. 200 PER EQUITY SHARE OF FACE VALUE Rs. 10

ISSUE PRICE IS 20 TIMES THE FACE VALUE AT THE ISSUE PRICE

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% Book Building Process wherein 60% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers out of which, 5% will be available for allocation to mutual funds registered with Securities and Exchange Board of India ("SEBI") and the remaining QIB portion shall be available for allocation to the QIB bidders including mutual funds, subject to valid Bids being received at or above the Issue Price. Further, atleast 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first public issue of the Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs. 10 and the Issue Price is 20 times of the face value. The Issue Price (as determined by the Company and the Selling Shareholders in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing. We have not opted for the grading of this Issue from a credit rating agency.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the SEBI, nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page xi of this Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accept responsibility for and confirm that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated January 24, 2006. NSE is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS



**KOTAK MAHINDRA CAPITAL
COMPANY LIMITED**

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**ABN AMRO SECURITIES (INDIA)
PRIVATE LIMITED**

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E-mail: mmfsl ipo@in.abnamro.com
Website: www.abnamroindia.com

REGISTRAR TO THE ISSUE



Karvy Computershare Private Limited

KARVY COMPUTERSHARE PRIVATE LIMITED

Karvy House, 46, Avenue 4,
Street no. 1, Banjara Hills,
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Fax: 91 40 2343 1551
E-mail: mmfsl ipo@karvy.com
Website: www.karvy.com

ISSUE PROGRAMME

BID / ISSUE OPENED ON : FEBRUARY 21, 2006

BID / ISSUE CLOSED ON : FEBRUARY 24, 2006

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SECTION I: DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
“Mahindra Finance” or “Company” or “our Company” or “Issuer” or “Mahindra & Mahindra Financial Services Limited”	Mahindra & Mahindra Financial Services Limited, a public limited company incorporated under the Companies Act, 1956.
“we” or “us” and “our”	Unless the context otherwise requires, refers to Mahindra & Mahindra Financial Services Limited and, where the context requires, its subsidiary, which is Mahindra Insurance Brokers Limited.

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment and transfer of Equity Shares pursuant to this Issue.
Allottee	The successful Bidder to whom the Equity Shares are/have been issued or transferred.
Articles/ Articles of Association	Articles of Association of our Company, as amended.
Auditors	The statutory auditors of the Company M/s B.K. Khare & Co., Chartered Accountants.
Bankers to the Issue	The Bankers to the Issue being HDFC Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank, The Hong Kong & Shanghai Banking Corporation Limited and UTI Bank Limited.
Bid	An indication to make an offer during the Bidding/ Issue Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus.
Bid/ Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be mentioned in the Red Herring Prospectus, the Prospectus and the Bid cum Application Form and notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper, with wide circulation.
Bid/ Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be mentioned in the Red Herring Prospectus, the Prospectus and the Bid cum Application Form and notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper, with wide circulation.

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Term	Description
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus, the Prospectus the Bid cum Application Form and the Prospectus.
Bidding/Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which Bidders can submit their Bids.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made.
BRLM/ Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being Kotak Mahindra Capital Company Limited and ABN AMRO Securities (India) Private Limited.
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	Any price within the Price Band finalized by us and the Selling Shareholders, in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Allotment will be made to successful Bidders.
Designated Stock Exchange	NSE
Director(s)	Director(s) of Mahindra & Mahindra Financial Services Limited, unless otherwise specified.
Red Herring Prospectus	This document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue, which has been filed with the RoC at least three days before the Bid/ Issue Opening Date.
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue.
Equity Shares	Equity shares of the Company of face value of Rs. 10 each.
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount/ Margin Amount when submitting a Bid.

Term	Description
Escrow Agreement	Agreement to be entered into amongst the Company, the Selling Shareholders, the Registrar, the Escrow Collection Banks, the BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Banks	The banks, which are clearing members and registered with SEBI as Bankers to the Issue and with whom the Escrow Account will be opened.
ESOS Trust	Mahindra & Mahindra Financial Services Limited Employees Stock Option Trust established by us for the purposes of administering and implementing the ESOS.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.
Financial Year/ Fiscal / FY	Period of 12 months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Fresh Issue	Issue of 10,000,000 Equity Shares by the Company at the Issue Price.
Government/ Gol	The Government of India.
I.T. Act/ ITA	The Income Tax Act, 1961, as amended from time to time.
Indian GAAP	Generally accepted accounting principles in India.
Issue	Public issue of 20,000,000 Equity Shares for cash at a price of Rs. 200 per Equity Share aggregating Rs. 4,000 million comprising a Fresh Issue of 10,000,000 Equity Shares by the Company and an Offer for Sale of 10,000,000 Equity Shares by the Selling Shareholders, pursuant to the Red Herring Prospectus and the Prospectus.
Issue Price	The final price at which Equity Shares will be allotted in terms of the Red Herring Prospectus and the Prospectus, as determined by the Company and the Selling Shareholders, in consultation with the BRLMs, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/ her Bid, being 10% to 100% of the Bid Amount.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Funds Portion	5% of the QIB Portion or 600,000 Equity Shares (assuming the QIB portion is 60% of the Issue size) available for allocation to Mutual Funds only, out of the QIB portion.

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Term	Description
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs).
Non-Institutional Portion	The portion of the Issue being atleast 2,000,000 Equity Shares available for allocation to Non-Institutional Bidders.
Non-Residents	Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions, who are eligible to Bid in the Issue.
NRI/Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of atleast 60% by NRIs including overseas trusts, in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the Foreign Exchange Management (Transfer or Issue of security by a Person Resident Outside India) Regulations, 2000. OCBs are not allowed to participate in this issue.
Offer for Sale	Offer for sale of 10,000,000 Equity Shares by the Selling Shareholders, pursuant to the Red Herring Prospectus and the Prospectus.
Pay-in Date	Bid/ Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Person/ Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/ or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Preference Shares	Preference Shares of Rs. 100 each
Price Band	The price band with a minimum price of Rs. 170 and the maximum price of Rs. 200 per Equity Share, including revisions thereof.
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the BRLMs finalize the Issue Price.
Promoter Group/ M&M Group	Includes M&M and companies forming part of the promoter group.
Prospectus	The Prospectus, to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.

Term	Description
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
QIB Margin Amount	An amount representing atleast 10% of the Bid Amount.
QIB Portion	The portion of the Issue being 12,000,000 Equity Shares, available for allocation to QIBs on a proportionate basis out of which 600,000 Equity Shares are available for allocation to Mutual Funds.
Qualified Institutional Buyers or QIBs	Public Financial Institutions, scheduled commercial banks, Mutual Funds, FII's registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
Registered Office	Gateway Building, Apollo Bunder, Mumbai 400 001, Maharashtra, India.
Registrar/ Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited.
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being atleast 6,000,000 Equity Shares, available for allocation to Retail Individual Bidders.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Employee Stock Option Guidelines	Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including instructions and clarifications issued by SEBI from time to time.
Selling Shareholders	Shareholders offering Equity Shares in the Offer for Sale, consisting of M&M and certain other shareholders of the Company, as mentioned in the section titled "Capital Structure" on page 16 of the Prospectus.
Stock Exchanges	BSE and NSE.

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Term	Description
Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Company, the Selling Shareholders, the BRLMs and the Syndicate Members, in relation to the collection of Bids in this Issue.
Syndicate Members	Kotak Securities Limited and ABN AMRO Asia Equities (India) Limited.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLMs and the Syndicate Members.
Underwriting Agreement	The Agreement among the members of the Syndicate, the Selling Shareholders and the Company to be entered into on or after the Pricing Date.

Business Related Terms

Term	Description
Average Cost of Borrowing	Percentage of interest costs to average borrowings
Average Total Assets	Average of opening and closing balance of Total Assets for the Fiscal/ period.
Gross NPAs	Total of overdue and future receivables (excluding securitized assets) as reduced by unmatured finance charges on NPAs.
Gross Spread	Difference between the total income earned by us and interest expenditure incurred by us for the Fiscal/ period measured as a percentage of our Average Total Assets.
Loan Assets	Loan assets includes our loans against assets, stock on hire (net of unmatured finance charges) and retained interest in securitisation.
Net NPAs	Gross NPAs net of total provisions.
Total Assets	Total assets includes net fixed assets, intangible assets, investments, current assets, loans and advances and deferred tax.

Abbreviation	Full Form
ACA	Arbitration and Conciliation Act, 1996.
ALCO	Asset Liability Committee.
ALM	Asset Liability Management.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
BPO	Business Process Outsourcing.
BSE	The Bombay Stock Exchange Limited.
CDSL	Central Depository Services (India) Limited.
CRIS INFAC	CRISIL Research and Information Services Limited.
CRISIL	Credit Rating Information Services of India Limited.
EGM	Extraordinary General Meeting.
EMI	Equated Monthly Instalments.
EPS	Earnings per Equity Share.
ESOS	The employee stock option plan of our Company as approved by our shareholders in a general meeting held on October 24, 2005.
FCCB	Foreign Currency Convertible Bond.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FIPB	Foreign Investment Promotion Board.
FVCI	Foreign Venture Capital Investor registered with SEBI.
GAAP	Generally accepted accounting principles.
GDP	Gross Domestic Product.
GIR Number	General Index Registry Number.
HPCL	Hindustan Petroleum Corporation Limited.
HR	Human Resources.
HUF	Hindu Undivided Family.
IFC	International Finance Corporation
IPO	Initial Public Offering.
IRDA	Insurance Regulatory Development Authority.
ITAT	Income Tax Appellate Tribunal.
M&M	Mahindra & Mahindra Limited.

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Abbreviation	Full Form
MGESCO	Mahindra Gesco Developers Limited.
MIBL	Mahindra Insurance Brokers Limited.
MIS	Management Information Systems.
MUSCO	Mahindra Ugine Steel Company Limited.
MVA	Motor Vehicles Act, 1988.
NAV	Net Asset Value.
NBFC	Non Banking Finance Company.
NCAER	National Centre for Applied Economic Research.
NPAs	Non-Performing Assets.
NRE Account	Non-Resident External Account.
NRI	Non-Resident Indian.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
P/E Ratio	Price to Earnings Ratio.
PAN	Permanent Account Number.
PLR	Prime Lending Rate.
RBI	The Reserve Bank of India.
RoC	Registrar of Companies, Maharashtra located at Mumbai.
RONW	Return on Net Worth.
SBI	State Bank of India.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
UIN	Unique Identification Number.
UVs	Utility Vehicles.
VCF	Venture Capital Fund registered with SEBI.

PRESENTATION OF FINANCIALS AND USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Prospectus is derived from the Company's restated unconsolidated financial statements as of and for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and as of and for the nine month period ended December 31, 2005, prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines, as stated in the report of our statutory Auditors, M/s B. K. Khare & Co., Chartered Accountants, included in this Prospectus. Unless stated otherwise, the provisions on NPAs include NPAs on securitized assets.

Our Fiscal commences on April 1 and ends on March 31 of a particular year. Unless stated otherwise, references herein to a Fiscal (e.g., Fiscal 2005) are to the Fiscal ended March 31 of a particular year.

In this Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and GAAP followed in other jurisdictions; accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on financial data.

Unless stated otherwise, macroeconomic and industry data used throughout this Prospectus has been obtained from publications prepared by providers of industry information, Government sources and multilateral institutions. Such publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we and the Selling Shareholders believe that industry data used in this Prospectus is reliable, it has not been independently verified.

Currency of Presentation

All references to "Rupees", "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India.

This Prospectus contains translations of certain U.S. Dollar (or US\$), Pound Sterling, Euro, Singapore Dollar (or Singapore \$), Dirham and South African Rand amounts into Indian Rupees that have been presented solely to comply with the requirements of clause 6.9.7.1 of the SEBI Guidelines. These convenience translations should not be construed as a representation that those Indian Rupee or U.S. Dollar or other amounts could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate, the rate stated below or at all.

SECTION II: RISK FACTORS
FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical fact constitute “forward-looking statements”. We have included statements in this Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that could be considered to be “forward-looking statements”.

All forward-looking statements are subject to risks, uncertainties and assumptions that may cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that may cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India;
- Our ability to successfully implement our strategy and growth plans;
- Our ability to compete effectively and access funds at competitive cost;
- Changes in Indian or international interest rates;
- Performance of the automobile, agricultural, service and industrial sectors in India;
- The level of non-performing assets in our portfolio;
- Rate of growth of our Loan Assets;
- Potential mergers, acquisitions or restructurings and increased competition;
- Changes in tax benefits and incentives and other applicable regulations, including various tax laws;
- Our ability to retain our management team and skilled personnel;
- Changes in laws and regulations that apply to NBFCs in India, including laws that impact our lending rates and our ability to enforce our collateral; and
- Changes in political conditions in India.

For further discussion of the factors that could affect our future financial performance, see the section titled “Risk Factors” on page xi of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we nor any of our Directors nor the Selling Shareholders nor the Underwriters, nor any of their respective affiliates have any obligation, or intend, to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, the Selling Shareholders, the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occurs, our business, results of operations and financial condition could suffer and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.

INTERNAL RISK FACTORS AND RISKS RELATING TO OUR BUSINESS

If the level of NPAs in our portfolio were to increase, our business will suffer.

As of March 31, 2005 and December 31, 2005, our Gross NPAs were Rs. 1,991.6 million and Rs. 2,969.2 million respectively and our Net NPAs were Rs. 1,007.7 million and Rs. 1,583.9 million respectively, i.e. 3.2% and 3.7% of Total Assets. We believe that our provisions for NPAs are adequate to cover known losses which may arise in our asset portfolio. We expect the size of our Loan Assets to continue to increase in the future as we expand our branch network in India and offer new products and going forward, we may have additional NPAs. If we suffer from increases in the level of final credit losses our future financial performance could be adversely affected.

There are outstanding litigation against us, our Directors, our Promoter and our Promoter Group Companies.

We are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable and include amounts claimed jointly and severably from us and other parties. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities.

There are certain claims pending in various courts and authorities at different levels of adjudication against us, our Directors and our employees:

- 26 criminal complaints against us and our employees;
- 194 civil cases involving claims aggregating approximately Rs. 15.6 million;
- 344 consumer cases involving claims aggregating approximately Rs. 45.3 million;
- Income tax cases aggregating approximately Rs. 118.8 million;
- 342 arbitration proceedings aggregating approximately Rs. 51.3 million.

There are 13 criminal complaints and 64 other cases against our Directors for an aggregate amount of Rs. 12.3 million.

There are 20 criminal complaints and 2,386 other cases against our Promoter and Promoter Group companies for an aggregate amount of Rs. 6,009.6 million.

For further details of outstanding litigations against us, our Directors, our Promoter and our Promoter Group companies, please see section titled "Outstanding Litigations" on page 207 of the Prospectus.

We will be impacted by volatility in interest rates in India which could cause our Gross Spreads to decline and adversely affect our profitability.

Our business is largely dependent on interest income from our operations. In Fiscal 2005, 93.1% of our total income was interest income.

We are exposed to interest rate risk principally as a result of lending to customers at fixed interest rates and in amounts and for periods, which may differ from our funding sources (bank borrowings and debt offerings). We seek

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to match our interest rate positions to minimise interest rate risk. Despite these efforts, there can be no assurance that significant interest rate movements will not have an effect on our results of operations. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility.

Interest rates have been declining in India over the past few years, however, there has been a recent rise in interest rates. Although initially decreases in interest rates improved our Gross Spread (as interest rates on our loans were fixed at historical levels), the increases have put pressure on our Gross Spread. With recent rises in interest rates, our Gross Spread have been under additional pressure as we maintain a portion of our funding sources at floating rates of interest while, as mentioned, our loans are at fixed rates of interest. While we expect that growth in our lending business will continue to generate increased interest income, offsetting a decline in Gross Spread, there can be no assurance that our financial performance may not be adversely affected by changes in interest rates.

The financing industry is becoming increasingly competitive and our growth will depend on our ability to compete effectively.

Our main competitors are banks and NBFCs. Over the last several years, a number of banks have increased their focus on retail loans in rural and semi-urban areas in India. Our competitors may have greater resources than we do and access to cheaper funds.

The business model which we have adopted involves a relatively high level of on-going involvement with our customers (for example, our field executives visit customers to collect instalments). We believe that this involvement is an important part of developing our relationship with our customers, identifying new opportunities and in monitoring performance. However, this level of involvement also entails a higher level of costs as compared to, say, advancing loans only from a branch office and requires a relatively high gross spread to maintain profitability. There can be no assurances that we will be able to maintain our current levels of profitability if our Gross Spreads were to reduce substantially as a result of competition or otherwise.

Our growth will depend on our continued ability to access funds at competitive rates.

With the growth of our business, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds at competitive rates will depend on various factors including our ability to maintain our credit ratings. While our borrowing costs have been competitive in the past due to our ability to structure innovative debt products, credit rating and the quality of our asset portfolio, if we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. This may adversely impact our business, our future financial performance and the price of our Equity Shares.

The value of our collateral may decrease or we may experience delays in enforcing our collateral when our customers default on their obligations to us, which may result in failure to recover the expected value of collateral and adversely affect our financial performance.

All of our loans to customers are secured by the assets financed. Although we seek to maintain a collateral value to loan ratio of more than 100% for our secured loans, we may not be able to realize the full value of our collateral as a result of declining price of second hand vehicles and tractors. Further, any delay in enforcing collateral (due to delays in an enforcement proceedings before Indian courts or otherwise) could expose us to potential losses. Any such losses and/or delays could adversely affect future financial performance and the price of our Equity Shares.

If we are unable to manage our rapid growth effectively, our business and financial results could be adversely affected.

Our business has grown since we began financing M&M products in 1993. From March 31, 2001 to March 31, 2005, our Loan Assets and volume of customer contracts increased at a compound annual growth rate of 42.6% and

44.8%, respectively. As at December 31, 2005, 155 of our 295 branches were linked to servers in our Mumbai head office. We intend to continue to grow our business rapidly, which could place significant demands on our internal processes, people and systems. We have yet to link all our offices to the servers in our head office. It may also exert pressure on the adequacy of our capitalization, making management of asset quality increasingly important. We have made a number of rights issues to increase our capitalisation. This listing and fresh issue of Equity Shares is intended to facilitate access to additional equity funds.

However, our asset growth will be primarily funded by the issuance of new debt. We may have difficulty in obtaining funding at competitive rates. Adverse developments in the Indian credit markets, may significantly increase our debt servicing costs and our overall cost of our funds.

An inability to manage our growth efficiently and obtain necessary funds on favourable terms could have a material adverse effect on our business and financial performance and the price of our Equity Shares.

Our success depends in large part upon our management team and key personnel and our ability to attract and retain such persons.

Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. While we have an ESOS and a salary and incentive structure designed to encourage employee retention, an inability to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on our business, future financial performance and the price of our Equity Shares.

Material changes in the regulations that govern us could cause our business to suffer and the price of our Equity Shares to decline.

NBFCs in India are subject to detailed supervision and regulation by the RBI. In addition, we are subject generally to changes in Indian law, as well as to changes in Government regulations and policies and accounting principles. See the section titled “Regulations and Policies” on page 58 of this Prospectus.

We are presently required by the RBI to maintain a minimum capital adequacy of 12%. In addition, the RBI also requires us to transfer 20% of our profits annually to a reserve fund. We are also required to maintain liquid assets of atleast 15% of the outstanding deposits of which not less than 10% should be in the form of investment in approved securities and the remaining in unencumbered term deposits. With effect from April 1, 2005, for the time being, we have suspended accepting/ renewing public deposits. The RBI also requires us to make provisions in respect of NPAs. As a prudent practice, we make additional provisioning for NPAs at a faster rate than that prescribed by the RBI.

Any changes in the regulatory framework affecting NBFCs including the provisioning for NPAs or capital adequacy requirements could adversely affect the profitability of our business, our future financial performance and the price of our Equity Shares, by requiring a restructuring of our activities, increasing costs or otherwise.

Our promoter, M&M will hold a majority of our Equity Shares after the Issue and can therefore determine the outcome of shareholder voting.

After the completion of this Issue, our promoter, M&M will hold approximately 67.72% of our Equity Shares. Consequently, our promoter will be able to exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be approved with a majority shareholder vote. Our promoter, as long as it continues to own a majority of our Equity Shares, will be able to elect our board of directors and remove any director, by way of a resolution approved by a simple majority of shareholders in a general meeting. It will be able to control most matters affecting us, including the appointment and removal of our officers; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; our dividend payout; and our capital structure and financing. Further, we rely on M&M for certain corporate support functions, such as company secretarial, legal and tax matters. In addition, the chief internal auditor of M&M is responsible for overseeing the internal audit of a number of our branches.

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In addition, our promoter will continue to have, the ability to cause us to take actions that are not in, or may conflict with, our interests and/or the interests of some or all of our creditors or minority shareholders, and there can be no assurance that such actions will not have an adverse effect on our future financial performance and the price of our Equity Shares.

Our growth and our financial results may be affected by factors affecting the Indian economy in general and the agricultural sector in particular.

Our financial results are influenced by the macroeconomic factors determining the growth of the Indian economy in general and in particular the continued growth of the agricultural sector and the automobile industry.

The growth prospects of our business, including the quality of our assets and our ability to grow our asset portfolio and implement our strategy, are influenced by the growth rate of the agricultural sector and the development of rural infrastructure. The level of loans made, recovery of our loans and demand for vehicles and tractors are all affected by these factors. Any slow down in the Indian economy, the growth of vehicle and tractor sales and in the agricultural sector (particularly due to abnormal monsoons), coupled with inflationary pressures or any change in Government policy could adversely impact our future financial performance.

The agriculture sector is highly seasonal and largely cash-based. Delays in the supply of utility vehicles and tractors at peak times may have an adverse affect on our financial performance. In addition, the cash flow fluctuations from this seasonality require careful management. Our financial results for the first half of our Fiscal are not fully comparable with the second half.

Due to lack of independent and credible source, we depend on the customers/ third parties for accuracy and completeness of information about customers.

A nationwide credit bureau has only recently been established in India. This may affect the quality of information available to us about the credit history of our new borrowers, who are mainly individuals and small businessmen. Therefore, as a result, our decision to extend credit is based on information, including financial information furnished by or on behalf of customers and dealers. We may also rely on certain representations as to the accuracy and completeness of that information. Further, our loan appraisal procedure involves minimum documentation to assist in speedy loan approval. With a primarily rural and semi-urban customer base, incomplete information regarding creditworthiness of customers may expose us to a risk of fraud. Our financial condition and results of operations could be negatively affected by relying on information that may not be true or materially misleading and future financial performance and the price of our Equity Shares may be adversely affected.

Our contingent liabilities could adversely affect our financial condition.

As of December 31, 2005, we had contingent liabilities of Rs. 386.8 million, including Rs. 128.6 million in relation to taxation matters, Rs. 20 million in relation to performance guarantees, Rs. 5.6 million in relation to capital commitments, Rs. 201.5 million in relation to corporate undertaking on Securitisation and Rs. 31.1 million in relation to legal suits filed by customers in consumer forums and civil courts. If these contingent liabilities fully materialize, our financial condition, future financial performance could be adversely affected. For further details, see the notes to our financial statements under section titled "Financial Statements" on page 140 of the Prospectus.

We have made issuances of Equity Shares during the last 12 months at a price that may be lower than the Issue Price.

We have made issuances of Equity Shares during the last 12 months at a price that may be lower than the Issue Price. For further details, see note 1 under "Notes to Capital Structure" on page 17 of the Prospectus.

Your holdings may be diluted by additional issuances of equity by us, which may adversely affect the market price of our Equity Shares.

Any future issuance of our Equity Shares may dilute the holdings of investors in our Equity Shares, which could

adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by our principal shareholder could adversely affect the market price of our Equity Shares. The perception that any such sale may occur could also adversely affect the market price of our Equity Shares.

We may be impacted by the recent guidelines issued by the RBI in relation to securitization transactions by NBFCs.

The RBI has issued guidelines effective February 1, 2006 for regulating securitization of standard assets by NBFCs. We are required to follow these guidelines for all future securitization transactions involving sale of assets to a special purpose vehicle. The RBI has indicated that it would take a view on the treatment of securitization transactions that have been completed prior to the date of issue of these guidelines on a case by case basis. In the event, we are required to take any steps in relation to our past securitization transactions, this may impact the presentation of our financial statements and capital adequacy. For details of our past securitization transactions, please see section titled "Our Business" on page 43 of this Prospectus.

We are required to pay certain levies and taxes to the Government. Our business may be materially affected and our profit margins may decrease if we are required to pay additional levies and taxes.

We are required to pay certain levies and taxes to the central and state governments in relation to the operation of our business. In addition to this, we pay certain levies/cesses to the local governments. Any change in the tax legislation, including changes in level of sales tax, income tax, service tax may adversely affect our profitability and financial condition and the price of our Equity Shares.

The Assistant Commissioner of Service tax, Mumbai has issued a notice against us in relation to the payment of service tax on the EMI at the rate prevalent at the time of each EMI in respect of services provided in financial leasing. In addition, we have been directed to pay arrears, if any, in case of any difference in the rate of payment. We have replied to the said notice vide our letter dated December 14, 2005, wherein we have stated that we have paid service tax at applicable rates. However, if the concerned authorities are not satisfied with our response, we may be required to provide additional details and documentation in relation to the same.

We are subject to certain restrictive covenants in our loan/debentures documents, which may restrict our operations and ability to grow and may adversely affect our business.

We have entered into certain debenture trust deeds and loan agreements in respect of our borrowings, which contain certain restrictive covenants or require us to obtain approval from the trustee or the lender, as the case may be, for disposing of (including creating any charge on) specified assets, undertaking any merger or reorganisation, declaring dividends in certain circumstances, amending our memorandum and articles of association in certain circumstances, making substantial changes to the general nature or scope of our business, incurring or assuming any additional debt in certain circumstances, changing our capital structure, reducing our share capital, prepaying any long-term debt in certain circumstances and/ or any change in our management. As a condition of some of our borrowings, covenants have also been included in respect of the dilution of the shareholding of M&M and maintaining certain product mix.

Pursuant to the terms of the loan from International Finance Corporation dated June 18, 2002, we are required to maintain certain financial ratios during the term of the loan. For example, we must maintain a minimum risk weighted capital adequacy ratio of at least 12%, a current ratio of not less than 1.2 times and an open credit exposure ratio of not more than 25% of our net worth.

Such restrictive covenants may restrict our ability to obtain credit, or undertake any changes in our business structure even though such changes may be in our interest.

Out of the Issue proceeds, only the Net Proceeds from the Fresh Issue will be available to us.

The Issue is a combination of Fresh Issue and Offer for Sale and hence the entire Issue proceeds will be shared by

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the Selling Shareholders and us. The amount (net of issue expenses) proportionate to the number of shares sold under the Offer for Sale will be remitted to the Selling Shareholders and the amount (net of issue expenses) proportionate to the Fresh Issue would be available to us. Accordingly, we will not benefit from the entire proceeds of the Issue.

We have not entered into any definitive agreements to utilise a substantial portion of the net proceeds of the Fresh Issue.

We intend to use the net proceeds of the Fresh Issue to augment our Tier I capital base and to provide funding for loans to our customers. See “Objects of the Issue” on page 23 of the Prospectus.

Pending utilisation of the proceeds out of the Fresh Issue for the purposes described in this Prospectus, we intend to temporarily invest the funds in interest bearing liquid instruments including deposits with banks and liquid (not equity) mutual fund investments or repay certain borrowings. Any such investment would be in accordance with the investment policies approved by our Board from time to time.

Due to the nature of our operations, we may be exposed to certain risks that may affect our business operations.

As of December 31, 2005, only 155 of our 295 branches have connectivity with our server at the head office in Mumbai and lack of full connectivity may delay our decision making process. We do not have a separate disaster recovery data center, however, we are planning to set up such a centre in a city other than Mumbai which would be connected to the main data centre at Mumbai. As of December 31, 2005, out of 295 branches, based on scale of operations and internal risk assessment, we have covered 127 branches for internal audit and the coverage is being increased in a phased manner. Our statutory auditors have recommended further strengthening of the internal control systems of our subsidiary, MIBL to match the size of the company and the nature of the business. Considering the nature of the business and spread of our branch network across India, we may be exposed to certain risks relating to internal controls and there can be no assurance that there shall be no material adverse effect on our business operations.

We have a high concentration of loans to customers who purchase M&M vehicles and any decline in the business of M&M could adversely affect our business and the price of our Equity Shares.

While we have increased financing of non-M&M products, loans for M&M products form a majority of our total loan portfolio. Accordingly, any decline in the sales or availability of M&M products could adversely affect our business.

We handle cash on a regular basis and are hence exposed to the risk of fraud and misappropriation of funds.

We mainly service rural and semi-urban customers who primarily conduct their business in cash. Accordingly, we usually collect cash installments from our customers and this exposes us to the risk of fraud and misappropriation of funds.

While we have not faced any major problem in the past and while we have taken insurance policies including fidelity cover and cover for cash in safes and in transit, we cannot assure you that no incident of fraud or misappropriation of funds will occur in the future. If such events occur, there could be an adverse affect on the profitability of our business and it could increase our insurance costs.

We undertake distribution of certain third party products.

We distribute mutual fund products of third parties through our branch network. Whilst contractually we are not liable for the performance of third parties and their products that we distribute, in the event of any deficiency in service by such third parties and/ or non-performance of some of their products, the persons who avail of such products may incur losses. We may be subject to a reputation risk in such instances and management time and cost may be incurred to address such situations.

Some of our promoter group companies have incurred losses.

We have 64 Promoter Group companies (including our Promoter, our subsidiary, companies under liquidation and disassociated Promoter Group companies). Of these, 24 companies have incurred losses and/ or have negative net worth (pursuant to non-consolidated financial statements), as set forth in the table below:

Companies in the Promoter Group, which have incurred losses in the past three years:

Name of Promoter Group company	Currency and units	Fiscal 2005	Fiscal 2004	Fiscal 2003
Mahindra UGINE Steel Co. Limited	Rs. million	-	-	(172.2)
Mahindra Europe Srl.	Euros	-	(10,189)*	-
Mahindra Gujarat Tractor Limited	Rs. million	(23.1)	(28.8)	(65.8)
Mahindra Shubhlabh Services Limited	Rs. million	(26.8)	(60.6)	(55.8)
Mahindra Infrastructure Developers Limited	Rs. million	-	-	(1.4)
Mahindra World City Developers Limited	Rs. Million	(143.1)	(211.3)	(0.1)
Mahindra Middleeast Electrical Steel Service Centre FZE	Dirhams	(279,788)	-	-
Mahindra Engineering Design & Development Company Limited	Rs. Million	(7.5)	(0.3)	-
Mahindra Holdings and Finance Limited	Rs. Million	-	-	(44.7)
Mahindra AshTech Limited	Rs. Million	(79.5)	(139.3)	(64.6)
Mahindra Engineering & Chemical Products Limited	Rs. Million	-	-	(44.7)
Automartindia Limited	Rs. Million	(9.2)	(25.9)	(53.5)
Bristlecone Limited	US\$	(268,675.0)	-	-
Bristlecone Inc	US\$ million	(5.1)	(2.9)**	-
Bristlecone India Limited	Rs. Million	(70.2)	(26.2)	-
Bristlecone GmbH	Euros	(102,670.3)	-	-
Mahindra Logisoft Business Solutions Limited	Rs. Million	-	(11.0)	(25.3)
MBT GmbH	Euro Million	(2.2)	(3.4)	(0.6)
MBT International Incorporated, USA	US\$ Million	(1.8)	(2.5)	(1.4)
Axes Technologies (Asia-Pacific) Pte Limited	Singapore\$	(13,429.0)	-	(119,976.0)
PSL Erickson Limited	Rs. Million	(1.4)	-	(0.03)
Officemartindia.com Limited	Rs. Million	(0.4)	(4.8)	(2.4)
Mahindra & Mahindra Contech Limited	Rs. Million	-	(4.7)	-
Indian NGOs.com Private Limited	Rs. Million	-	-	(0.9)

*For twelve months period ending December 31, 2004

**For fifteen month period from January 31, 2003 to March 31, 2004.

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For a detailed description our Promoter, please see section titled “Our Promoter” on page 79 of this Prospectus and for a description on our Promoter Group companies, please see section titled “Our Promoter Group” on page 82 of this Prospectus.

Tax benefits may not be available to us or our shareholders unless prescribed conditions are fulfilled.

As described in section titled “Statement on Tax Benefits” on page 27 of the Prospectus, certain tax benefits are only available upon satisfaction of prescribed conditions under the relevant tax laws. To the extent that such conditions are not fulfilled, the tax benefits may not be available to us or our shareholders.

EXTERNAL RISK FACTORS

A slowdown in economic growth in India could cause our business to suffer

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets, and our ability to implement our strategy. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, deterioration of infrastructure or various other factors affecting the growth of industrial, manufacturing and services sector. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is increasing while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business.

The Indian economy has shown sustained growth over the last few years with real GDP growing at 6.9% in the Fiscal 2005, 8.5% in the Fiscal 2004 and 4.0% in Fiscal 2003. During the first quarter of Fiscal 2006, real GDP grew at 8.1% compared to 7.5% during the first quarter of Fiscal 2005. With the importance of the agricultural sector to our business, any slowdown in the growth of the agricultural sector could also adversely impact our performance. Growth in agricultural production in India has been variable. Agricultural GDP grew by 2.0% in the first quarter of Fiscal 2006 compared to 3.8% in the first quarter of Fiscal 2005. Agricultural GDP grew at 1.1% in Fiscal 2005 and 9.6% in Fiscal 2004 while it declined by 7.2% in Fiscal 2003 due in part to a poor monsoon in 2002 which had an impact in Fiscal 2003 (Source: Central Statistical Organisation Ministry of Statistics and Programme Implementation). As we provide finance for acquisition of utility vehicles, tractors and cars, any slowdown in the growth of the services sector, agriculture sector and in particular the automobiles sector could adversely affect the growth of our business including our ability to grow our asset portfolio, the quality of our assets, our future financial performance, our shareholders' funds, our ability to implement our strategy and the market price of our Equity Shares.

Political instability or changes in the government could delay further liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects

Since 1991, successive Indian governments have pursued policies of economic liberalization. The role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed a number of times since 1996. The current central government, which came to power in May 2004, is led by the Indian National Congress in coalition with several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization has been affected by the coalition nature of the government. If there was to be any slowdown in the economic liberalisation, or a reversal of steps already taken, it could have an adverse affect on our business.

Financial difficulties and other problems in certain financial institutions in India could cause our business to suffer and the price of our Equity Shares to go down.

We are exposed to the risks of the Indian financial system, which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. Certain Indian financial institutions have experienced

difficulties during recent years. Some co-operative banks (which tend to operate in rural sector) have also faced serious financial and liquidity crises. There has been a trend towards consolidation with weaker banks and NBFCs being merged with stronger entities. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions, banks and NBFCs. This in turn could adversely affect our business, our future financial performance, our shareholders' funds and the market price of our Equity Shares.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares will trade and may also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence. In addition, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the market price of our Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the market price of our Equity Shares.

Natural calamities could have a negative impact on the Indian economy, particularly the agriculture sector, and cause our business to suffer

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country in Fiscal 2002, the agricultural sector GDP recorded a decline of 7.2% during Fiscal 2003 (Source: Central Statistical Organisation Ministry of Statistics and Programme Implementation). The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further, prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our rural and semi-urban focused business and the market price of our Equity Shares.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse affect on our business and financial performance, our ability to raise financing for onward lending and the price of our Equity Shares.

Notes to Risk Factors:

- Public Issue of 20,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. 200 per Equity Share aggregating Rs. 4,000 million, comprising a Fresh Issue of 10,000,000 Equity Shares of Rs. 10 each by the Company and an Offer for Sale of 10,000,000 Equity Shares of Rs. 10 each by the Selling Shareholders. The Issue will constitute 23.26% of the fully diluted post issue paid-up capital of the Company.
- The average cost of acquisition of Equity Shares by our promoter is Rs. 25.9 per Equity Share. The average cost of acquisition of Equity Shares by our promoter has been calculated by taking the average amount paid by them to acquire our Equity Shares. For details, please see section titled "Capital Structure" on page 16 of this Prospectus.
- Our net worth before the Issue (as of December 31, 2005) was Rs. 4,026.1 million (on an unconsolidated basis) and the book value per Equity Share as of December 31, 2005 was Rs. 57.1 per Equity Share.

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- Refer to our financial statements relating to related party transactions in the section titled “Related Party Transactions” on page 133 of this Prospectus.
- Investors may contact any of the BRLMs for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled “Basis for Issue Price” on page 25 of this Prospectus.

Investors should note that in case of oversubscription in the Issue, Allotment would be made on a proportionate basis to QIB Bidders, Retail Individual Bidders and Non-Institutional Bidders. See the paragraph titled “Basis of Allocation” under section titled “Terms of the Issue” on page 245 of this Prospectus.

SECTION III: INTRODUCTION

SUMMARY OF OUR BUSINESS

Overview

We are one of India's leading non-banking finance companies focused on the rural and semi-urban sector providing finance for utility vehicles, tractors and cars with largest network of branches covering these areas (Source: Association of Leasing and Financial Services Companies, November 2005). We are a subsidiary of M&M, a leading tractor and UV manufacturer with over 60 years experience in the Indian market.

Our goal is to be the preferred provider of retail financing services in the rural and semi-urban areas of India. 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. We principally finance UVs used both for commercial and personal purposes, tractors and cars. While we predominantly finance M&M UVs and tractors, we have continued to expand our lending in respect of non-M&M vehicles.

In the three years ended March 31, 2005, we expanded our branch network from 195 to 255 branches providing services to customers in 25 states and two Union Territories across India. During the same period, the cumulative number of customer contracts entered into grew from 161,079 to 336,819. As of December 31, 2005, we had 295 branches in 25 states and two Union Territories in India and had entered into 430,300 customer contracts. In addition, on September 16, 2005 we entered into an agreement with HPCL whereby they have granted us permission to establish outlets in selected petrol stations owned or franchised by them. We intend to use these outlets to make new loans and provide payment services in respect of existing loans.

As our geographical reach and market penetration have expanded, so too have our Loan Assets, which grew from Rs. 11,702.1 million as of March 31, 2003 to Rs. 17,106.3 million as of March 31, 2004, to Rs. 26,310.6 million as of March 31, 2005 and to Rs. 36,628.7 million as of December 31, 2005. As of December 31, 2005, our net NPA constituted 3.7% of Total Assets.

Our 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 our profit after tax increased from Rs. 441.8 million to Rs. 822.7 million at a compound annual growth rate of 36.5%. As of December 31, 2005 our total income was Rs. 3,983.0 million, our profit after tax was Rs. 610.7 and we had Rs. 4,026.1 million of share capital and reserves.

In May 2004, as a supplement to our lending business we started an insurance broking business through our wholly owned subsidiary, Mahindra Insurance Brokers Limited. During Fiscal 2005, in its first year of operations, MIBL earned an income of Rs 34.4 million and achieved a profit after tax of Rs. 17.3 million.

Our Strengths

We believe that the following are our key strengths:

Knowledge of rural and semi-urban market

We were 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 was principally provided by banks from the organised finance sector or by the local money lenders. There was a large section of the rural population which did not have access to credit largely due to their inability to meet the lending covenants of the banks or because they could not service the high rates of the money lenders. We identified this opportunity and positioned ourselves to service this population. We adopted simple and prompt loan approval and documentation procedures and set our offer rates between those of the banks and the money lenders. Over the last 12 years of operations, we have gained significant experience of the local characteristics of the rural and semi-urban markets across India. In addition, the markets we serve are largely cash driven and we understand the challenges and limitations of rural infrastructure and have created processes/systems to overcome such limitations and challenges. For example, our field executives collect cash at the customer's premises saving them the need to travel to one of our branches or a bank. These visits also enable us to develop our customer relationships and

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

importantly allow us to understand their businesses. This understanding enables us to be proactive and develop future products for our customers. Our nationwide network, locally recruited employees, regular visits and our close relationship with the dealers enables us to understand the needs of our customers. We believe that due to our early entry, our client relationships and our relationship with M&M, we have built a recognisable brand in the rural and semi-urban markets of India.

Our relationship with M&M

We were originally set up to provide finance to M&M dealers for purchase of M&M vehicles and tractors and M&M provided us (and continues to provide us) with capital and a ready market. We believe that we have benefited substantially from the M&M brand as well as their credit rating. We continue to be closely associated with our majority shareholder, M&M. We have also been able to draw on a range of resources from M&M such as company secretarial, legal and taxation advice as well as management support.

Our capital base

As of December 31, 2005 our capital adequacy ratio was 14.3%, as compared to the RBI requirement for NBFCs of 12%. We have made 11 rights issues and one bonus issue since our incorporation, raising total funds of Rs. 1,736.6 million. Capital is also available from internal accruals, preference share issuance and issues of subordinated debt (for example to IFC) and from other lenders. Our share capital and reserves as of December 31, 2005 were Rs. 4,026.1 million. This Issue will further enhance our capital base.

Our branch network

Our nationwide network of 295 branches as of December 31, 2005, covering 25 states and two union territories, is the largest amongst NBFCs covering rural and semi-urban areas. This network has enabled us to develop and maintain our customer relationships. We believe that our branch network enables us to service and support our existing customers from proximate locations which gives customers easy access to our services, and also enables us well to reach new customers. The broad geographic spread of the network also provides some protection against crop failures or natural calamities, which can from time to time affect parts of India.

Our association with dealers

We provide finance to customers of approximately 1,000 M&M and other dealers. Our relationship with these dealers is a critical resource in sourcing customers and in our efforts to provide customers with financial products and services suited for the rural and semi-urban markets.

Our client base

From inception to December 31, 2005, we have entered into a total of 430,300 customer contracts. The relationships which we have developed with our customers provide us with opportunities for repeat business and to cross sell our other products as well as benefit from customer referrals.

Our loan approval and administration procedures

Our experience in the rural finance market has enabled us to price our products appropriately and our relationship with dealers and customers has enabled us to develop prudent credit appraisal procedures. Our review process and the regular visits by field executives enable us to monitor and evaluate our customers' ability to repay on a regular basis. Our collection and enforcement procedures are designed to maximise recoveries following any payment default. These procedures have ensured that the eventual write-offs due to non-recovery have remained less than 2% of Average Total Assets during the last three Fiscals. As of December 31, 2005, the eventual write-offs (on annualised basis) were 1.1% of the Average Total Assets.

Our ability to borrow at competitive rates

CRISIL has assigned AA+/Stable rating to our long term debt and P1+ rating to our short term debt. We have been able to reduce our cost of borrowings from an average of 8.7% in Fiscal 2003 to 6.4% in Fiscal 2005. We believe that we have achieved this reduction in our cost of funds as a consequence of our rating and effective treasury management and innovative fund raising programs (for example our securitization program) aided by a declining interest rate environment. Although the interest rates payable by us have recently increased, in line with increases in rates in India generally, we believe we are able to borrow from a range of sources at competitive rates.

Experienced Board and executive management team

Our Board consists of 10 directors of whom 5 are board members or senior executives of M&M and 4 are independent directors from the banking and financial services background and together provide extensive automobile and financial services sector experience. The members of our executive management team have experience in financial services sector and most of the senior management team has been with us for more than 5 years.

Our Strategy

Our key strategic priorities are as follows:

Continue to maintain market position in rural and semi-urban automobile financing

We believe that the organised sector of financial services market in rural and semi-urban areas is likely to continue to experience growth. The key dimensions of our strategy are innovative products, risk adjusted pricing, customer focus, customer convenience, wide distribution, strong processes and prudent risk management.

Expand customer base

We plan to continue to expand our customer base through a combination of expanding our branch network and dealer associations, providing new products such as personal loans 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.

Diversify product portfolio

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.

Use of technology

We believe that information technology is a strategic tool for our business operations to gain competitive advantage and to improve overall productivity and efficiency of the organisation. All our technology initiatives are aimed at enhancing our service levels/customer convenience and improving loan administration and recovery while minimising costs. Our information technology strategy includes achieving connectivity with all our branches, putting in place a customer relationship management system to assist in the cross selling of our other products and services and improving credit and market risk management.

Attract and retain talented professionals

We have been successful in attracting and retaining a team of professionals with experience in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. We believe we have created the right balance of performance bonus, stock option and other economic incentives for our employees so that they will be challenged to develop business, achieve profitability targets and control risk. We will, from time to time, review our management and organisational structure to enable us to respond effectively to changes in the business environment and enhance our overall performance.

THE ISSUE

Issue	20,000,000 Equity Shares
Which comprises :	
Fresh Issue of:	10,000,000 Equity Shares
Offer for Sale of:	10,000,000 Equity Shares
Of the Issue	
QIB Portion including Mutual Funds*	12,000,000 Equity Shares constituting 60% of the Issue (allocation on a proportionate basis) out of which 5% will be available for allocation to Mutual Funds and the remaining QIB portion will be available for allocation to QIBs, including Mutual Funds.
Non – Institutional Portion*	At least 2,000,000 Equity Shares constituting at least 10% of the Issue (allocation on a proportionate basis)
Retail Portion*	At least 6,000,000 Equity Shares constituting at least 30% of the Issue (allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	76,000,525 Equity Shares
Equity Shares outstanding after the Issue	86,000,525 Equity Shares
Objects of the Issue	Please see the section titled “Objects of the Issue” on page 23 of this Prospectus.

* Under subscription, if any, in any of the categories, would be allowed to be met with spill-over from any of the other categories, at the discretion of our Company and Selling Shareholders, in consultation with the BRLMs.

SUMMARY FINANCIAL INFORMATION

Statement of Profits and Losses, as Restated

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ended December 31, 2005
Income						
Interest Earned	1,138.0	1,711.5	2,243.3	2,787.0	3,770.0	3,660.1
Lease Rentals	224.8	140.1	83.4	28.0	6.0	0.7
Income from Securitisation @	0.0	30.9	106.4	146.6	193.3	251.9
Other Income	23.3	25.0	26.5	52.0	78.3	70.3
Total	1,386.1	1,907.5	2,459.6	3,013.6	4,047.6	3,983.0
Expenditure						
Interest	642.7	725.6	832.5	929.3	1,283.7	1,479.1
Bank charges	18.5	20.2	29.1	40.5	48.2	38.5
Commission & Brokerage	39.4	27.4	103.3	139.5	182.9	150.9
Staff Costs	65.5	89.0	124.2	180.0	271.4	284.3
Provisions for Non Performing Assets/ Bad Debts/ Loss on terminations	157.0	388.3	395.8	414.0	560.0	631.7
Depreciation and Amortisation	179.7	121.9	87.9	50.0	38.5	36.1
Administrative Expenses	78.6	104.0	166.1	241.6	334.8	435.7
Total	1,181.4	1,476.4	1,738.9	1,994.9	2,719.5	3,056.3
Profit before tax	204.7	431.1	720.7	1,018.7	1,328.1	926.7
Provision for Taxes/Current Tax	96.5	220.9	352.2	419.2	558.4	399.9
Provision for Fringe Benefit Tax	0.0	0.0	0.0	0.0	0.0	10.2
Deferred Tax	(17.4)	(57.8)	(73.3)	(51.4)	(53.0)	(94.1)
Net Profit	125.6	268.0	441.8	650.9	822.7	610.7

@ of non-recurring nature

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Statement of Assets and Liabilities, As Restated

(Rs. Millions)

	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at December 31, 2005
A. Fixed Assets						
Gross Block (includes Capital work in progress and Capital advances)	592.3	422.4	269.1	230.3	251.6	324.6
Less: Depreciation	160.8	157.0	121.5	94.0	83.5	111.0
Net Block	431.5	265.4	147.6	136.3	168.1	213.6
Less Revaluation Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Net Block after adjustment for revaluation reserves	431.5	265.4	147.6	136.3	168.1	213.6
B Intangible Assets	0.4	5.8	3.6	1.8	5.6	12.7
C Investments	94.4	77.3	78.7	53.8	368.3	79.7
D Current Assets, Loans and Advances						
Cash and Bank Balances	328.6	453.0	435.8	1,024.1	1,113.4	1,165.2
Loans against assets / Stock on Hire	6,357.9	8,289.2	11,702.1	17,106.3	26,310.6	36,628.7
Sundry Debtors	711.0	695.9	831.7	946.7	1,291.6	1,803.3
Other Current Assets	131.6	189.5	266.8	314.9	371.1	464.5
Loans and Advances	1,453.4	801.7	1,072.2	749.0	1,493.0	2,991.1
	8,982.5	10,429.3	14,308.6	20,141.0	30,579.7	43,052.8
E Liabilities and Provisions						
Preference Share Capital	0.0	0.0	0.0	0.0	500.0	500.0
Secured Loans	4,726.4	5,707.3	6,891.3	13,234.2	22,035.4	28,834.4
Unsecured Loans	2,207.9	2,271.7	4,202.6	2,479.7	2,505.7	7,183.5
Current Liabilities and Provisions	1,031.6	1,053.6	1,386.6	2,101.6	2,524.8	2,814.8
	7,965.9	9,032.5	12,480.5	17,815.5	27,565.9	39,332.7
F Net Worth (A+B+C+D-E)	1,542.9	1,745.2	2,058.0	2,517.4	3,555.8	4,026.1
Represented by						
Share capital	606.2	606.2	606.2	606.2	701.6	704.9
Reserves	936.7	1,139.0	1,451.8	1,911.2	2,854.2	3,319.2
Less: Revaluation Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Reserves (Net of Revaluation Reserves)	936.7	1,139.0	1,451.8	1,911.2	2,854.2	3,319.2
Net Worth	1,542.9	1,745.2	2,058.0	2,517.4	3,555.8	4,026.1

GENERAL INFORMATION

Registered Office of the Company

Mahindra & Mahindra Financial Services Limited

Gateway Building
Apollo Bunder
Mumbai 400 001
Maharashtra, India
Registration Number: 11 – 59642

The Company is registered with the Registrar of Companies, State of Maharashtra, located at 100, Everest, Marine Drive, Mumbai, Maharashtra – 400 002, India.

Board of Directors

The following persons constitute our Board of Directors:

1. Mr. Anand G. Mahindra, Non Executive Chairman
2. Mr. Bharat N. Doshi
3. Mr. Anjanikumar Choudhari
4. Mr. Uday Y. Phadke
5. Mr. Dhananjay Mungale
6. Mr. Manohar G. Bhide
7. Mr. Nasser Munjee
8. Mr. Piyush Mankad
9. Dr. Pawan Goenka
10. Mr. Ramesh Iyer, Managing Director.

For further details of our Chairman, Managing Director and Directors, please refer to “Our Management” on page 67 of this Prospectus.

Compliance Officer

Mr. V. Ravi
Sadhana House, 2nd floor
Behind Mahindra Towers
570, P. B. Marg, Worli
Mumbai - 400 018
Maharashtra, India
Tel: 91 22 5652 6000
Fax: 91 22 2497 2741
E-mail: ravi.v@mahindra.com
Website: www.mahindrafinance.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment or refund orders, credit of allotted shares in the respective beneficiary account, etc.

Book Running Lead Managers

Kotak Mahindra Capital Company Limited

Bakhtawar, 3rd Floor
229, Nariman Point, Mumbai 400 021, India
Tel: 91 22 5634 1100
Fax: 91 22 2284 0492
E-mail: mmfsl ipo@kotak.com, Website: www.kotak.com
Contact Person: Mr. Ajay Vaidya

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ABN AMRO Securities (India) Private Limited

81, Sakhar Bhavan
Nariman Point
Mumbai 400 021, India
Tel: 91 22 5638 6184
Fax: 91 22 5639 6910
E-mail: mmfsl.ipo@in.abnamro.com
Website: www.abnamroindia.com
Contact Person: Mr. Nitin Bhatia

Pursuant to an agreement dated November 6, 2001 and subsequent agreements entered in to from time to time, ABN AMRO Securities (India) Private Limited and NM Rothschild & Sons (India) Private Limited have agreed to the use of the brand name "ABN AMRO Rothschild" in connection with equity capital markets transactions in India. ABN AMRO Rothschild is the unincorporated equity capital markets joint venture for the ABN AMRO and Rothschild groups. Established in 1996, ABN AMRO Rothschild (acting through its various contractual joint ventures worldwide) is responsible for handling all equity capital markets businesses on behalf of the two groups. ABN AMRO Securities (India) Private Limited and NM Rothschild & Sons (India) Private Limited are responsible for handling all equity capital markets businesses on behalf of the ABN AMRO and Rothschild groups in India.

Syndicate Members

Kotak Securities Limited

Bakhtawar, 1st Floor
229, Nariman Point
Mumbai 400 021
Tel: 91 22 5634 1100
Fax: 91 22 5630 3927
E-mail: ulhas.sawant@kotak.com
Website: www.kotak.com
Contact Person: Mr. Ulhas Sawant

ABN AMRO Asia Equities (India) Limited

83/84, Sakhar Bhavan
Nariman Point
Mumbai 400 021, India
Tel: 91 22 2285 4363
Fax: 91 22 2204 4142
E-mail: mmfsl.ipo@in.abnamro.com
Website: www.abnamroindia.com
Contact Person: Mr. Anil Shenoy

Legal Advisors

Domestic Legal Counsel to the Company

Khaitan & Co.
Meher Chambers
R. K. Marg
Ballard Estate
Mumbai 400 038, India
Tel: 91 22 5636 5000
Fax: 91 22 5636 5050
E-mail: bom@khaitanco.com

Domestic Legal Counsel to the Underwriters**Amarchand & Mangaldas & Suresh A. Shroff & Co.**

Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013, India
Tel: 91 22 2496 4455
Fax: 91 22 2496 3666

International Legal Counsel to the Underwriters**Linklaters**

One Silk Street
London EC2Y 8HQ
Tel: 44 20 7456 2000
Fax: 44 20 7456 2222

Registrar to the Issue**Karvy Computershare Private Limited**

Karvy House, 46, Avenue 4
Street no.1, Banjara Hills
Hyderabad 500 034, India
Tel: 91 40 2343 1546/ 49
Fax: 91 40 2343 1551
E-mail: mmfsl.ipo@karvy.com
Contact Person: Mr. Muralikrishna
Website: www.karvy.com

Banker to the Issue and Escrow Collection Banks**HDFC Bank Limited**

Maneckji Wadi Building, Ground Floor
Nanik Motwane Marg
Fort, Mumbai – 400 023
Tel: 91 22 5657 3535
Fax: 91 22 2267 1661
Email: sunil.kolenchery@hdfcbank.com

Kotak Mahindra Bank Limited

Mittal Court, C Wing
Nariman Point, Mumbai – 400 021
Tel: 91 22 5659 6022
Fax: 91 22 2281 7527
Email: ibrahim.sharief@kotak.com

The Hong Kong & Shanghai Banking Corporation Limited

52/60, M. G. Road
Fort, Mumbai – 400 001
Tel: 91 22 2268 1673
Fax: 91 22 2273 4388
Email: dhirajbajaj@hsbc.co.in

ICICI Bank Limited

Capital Markets Division
30, Mumbai Samachar Marg
Mumbai – 400 001
Tel: 91 22 2265 5285
Fax: 91 22 2261 1138
Email: sidhartha.routray@icicibank.com

Standard Chartered Bank

270, D.N. Road
Fort, Mumbai – 400 001
Tel: 91 22 2209 2213
Fax: 91 22 2209 6067 - 70
Email: Banhid.Bhattacharya@in.standardchartered.com

UTI Bank Limited

Universal Insurance Building
Ground Floor, Sir P.M. Road
Fort, Mumbai – 400 001
Tel: 91 22 2202 0447
Fax: 91 22 2283 5785
Email: roshan.mathias@utibank.co.in

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Auditors

B. K. Khare & Co.

Chartered Accountants
706/ 708 Sharda Chambers
New Marine Lines
Mumbai – 400 020
Tel: 91 22 2200 0607/ 6360/ 7318
Fax: 91 22 2200 3476
Email: info@bkkhareco.com

Bankers to the Company

ABN AMRO Bank

14, Veer Nariman Road, Mumbai – 400 020
Tel: 91 22 22372406
Fax: 91 22 22372408
Email: rajesh.gupte@in.abnamro.com

BNP Paribas

French Bank Building
62, Hornji Street
Fort, Mumbai – 400 001
Tel: 91 22 5650 1617
Fax: 91 22 2270 3542
Email: priyanka.agrawal@asia.bnpparibas.com

Canara Bank

Worli Branch, Mumbai – 400 018
Tel: 91 22 24975430
Fax: 91 22 24973987
Email: fcsmw@canarabank.co.in

Corporation Bank

IFB, Bharat House
104, B.S. Marg
Fort, Mumbai – 400 023
Tel: 91 22 22677088
Fax: 91 22 22675309

HDFC Bank Limited

Sandoz House
Worli, Mumbai – 400 013
Tel: 91 22 24902859
Fax: 91 22 24963994
Email: gita.chandhok@hdfcbank.com

IndusInd Bank Limited

3rd Flr, Hoechst House
Nariman Point, Mumbai-400 021
Tel: 91 22 22022424
Fax: 91 22 22022387
Email: bonp@indusind.com

Bankers to the Company

Bank of America

Nariman Point Branch, Mumbai – 400 021
Tel: 91 22 22582882
Fax: 91 22 22855185
Email: damini.kackar@bankofamerica.com

Calyon Bank

Hoechst House
Nariman Point, Mumbai – 400 021
Tel: 91 22 56319000
Fax: 91 22 56351816
Email: piyush.agrawal@in.calyon.com

Citibank N.A.

EM Sales & Trading
Citigroup Centre
4th floor, Bandra Kurla Complex
Bandra (E), Mumbai 400 051
Tel: 91 22 2653 5565
Fax: 91 22 2653 5881
Email: dhiren.mehta@citigroup.com

DBS Bank Limited

3rd floor, Fort House
221, Dr. D.N. Road
Fort, Mumbai - 400 001
Tel: 91 22 5638 8888
Fax: 91 22 5638 8899
Email: rishad@db.com

IDBI Bank Limited

Nariman Point
Mumbai – 400 021
Tel: 91 22 56588117
Fax: 91 22 22824071
Email: p_prashant@idbibank.com

ING Vysya Bank Limited

Poonam Chambers,
Worli, Mumbai – 400 018
Tel: 91 22 56666454
Fax: 91 22 56666460
Email: kamalk@ingvysyabank.com

Kotak Mahindra Bank Limited

Bakhtawar
Nariman Point, Mumbai – 400 021
Tel: 91 22 56386373
Fax: 91 22 56563459
Email: dev.sampat@kotak.com

Standard Chartered Bank

M.G. Road
Mumbai – 400 001
Tel: 91 22 22690722
Fax: 91 22 22624912
Email: mrinal.parekh@standardchartered.com

The Bank of Nova Scotia

Mittal Tower
Nariman Point, Mumbai – 400 021
Tel: 91 22 56364241
Fax: 91 22 22873125
Email: pankaj.lal@scotiabank.com

The Hong Kong & Shanghai Banking Corporation

52/60, M. G. Road
Fort, Mumbai – 400 001
Tel: 91 22 22681101
Fax: 91 22 22734375
Email: kumarshah@hsbc.co.in

Union Bank of India

Industrial Finance Branch
Nariman Point, Mumbai – 400 021
Tel: 91 22 22892021
Fax: 91 22 22855037
Email: unionifb@bol.net.in

Punjab National Bank

Shivaji Park Branch, Mumbai – 400 016
Tel: 91 22 24461261
Fax: 91 22 24469182
Email: shivpark@pnbwz.com

State Bank of India

CAG Branch
Mumbai – 400 021
Tel: 91 22 22801372
Fax: 91 22 22801962
Email: amt7.cagcen@sbi.co.in

The Dhanalakshmi Bank Limited

Janmabhoomi Marg, Fort
Mumbai – 400 001
Tel: 91 22 22045878
Fax: 91 22 22871637
Email: mumfort@dhanbank.co.in

The United Western Bank Limited

Prabhadevi Branch, Mumbai – 400 028
Tel: 91 22 24210807
Fax: 91 22 24370830
Email: www.uwbkindia.com

UTI Bank Limited

Maker Tower
Cuffe Parade
Mumbai – 400 005
Tel: 91 22 55071590
Fax: 91 22 56550555
Email: r.adsul@utibank.co.in

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the inter-se allocation of responsibilities for various activities among the BRLMs, viz Kotak Mahindra Capital Company Limited (KOTAK) and ABN AMRO Securities (India) Private Limited (ABN AMRO):

No	Activities	Responsibility	Coordinator
1.	Capital structuring with relative components and formalities etc.	ABN AMRO, KOTAK	KOTAK
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. (The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing)	ABN AMRO, KOTAK	ABN AMRO
3.	Drafting and approval of all publicity material, other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	ABN AMRO, KOTAK	KOTAK
4.	Appointment of other intermediaries viz, Registrar(s), Printers, Advertising Agency and Bankers to the Issue	ABN AMRO, KOTAK	ABN AMRO
5.	- QIB marketing strategy including road show marketing presentation - finalise the list and division of international investors for one to one meetings - finalise the list and division of domestic investors for one to one meetings	ABN AMRO KOTAK	ABN AMRO KOTAK
6.	Retail/ Non-Institutional marketing strategy - Finalise centers for holding conference for brokers etc. - Finalise media, marketing & PR Strategy - Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material - Finalise bidding centers	ABN AMRO, KOTAK	KOTAK
7.	Pricing, managing the book and coordination with Stock-Exchanges	ABN AMRO, KOTAK	KOTAK
8.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and dispatch of refunds to bidders etc.	ABN AMRO, KOTAK	ABN AMRO
9.	The Post Issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment, dispatch of refunds, demat of delivery of shares, finalisation of listing and trading of instruments with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue. (The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company)	ABN AMRO, KOTAK	ABN AMRO

IPO Grading

We have not opted for the grading of this Issue from a credit rating agency.

Credit Rating

We have obtained credit ratings from CRISIL and FITCH for our borrowings.

The ratings of our various instruments by CRISIL over the last three years are as follows:

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Long Term Debt	AA/Stable	AA/Stable	AA+/Stable
Short Term Debt	P1+	P1+	P1+
Subordinate Debt	AA/Stable	AA/Stable	AA+/Stable
Preference Shares	-	pfAA/Stable	pfAA+/Stable
Fixed Deposit	FAA/Stable	FAA/Stable	FAA+/Stable

We enjoy AA+/Stable rating from CRISIL as of January 20, 2006, with the various instruments rated as below:

- Long term debt amounting to Rs. 34,600 million with a rating of AA+/Stable
- Short term debt rating of amounting Rs. 10,000 million with a a rating P1+
- Subordinated debt amounting to Rs 1,000 million with a rating of AA+/Stable
- Preference shares amounting to Rs 500 million with a rating of pfAA+/Stable
- Fixed deposit with a rating of FAA+/Stable.

Long term debt rating of AA+/Stable indicates high degree of safety with regard to timely payment of interest and principal. Short term rating of P1+ indicates that the degree of safety regarding timely payment of interest and principal on the instrument is very strong. The “+” (plus) sign reflects a comparatively higher standing within the category.

Sub-ordinate debt rating of AA+/Stable indicates high degree of safety with regard to timely payment of interest and principal. Preference shares rating of pfAA+/Stable indicates high degree of safety with regard to timely payment of interest and principal.

Fixed deposit rating of FAA+/Stable indicates that the degree of safety regarding timely payment of interest and principal is strong.

All our securitization transactions to date (except bilateral assignments) have been rated AAA(so) by CRISIL. The rating is based on additional collateral provided for each transaction. The last securitization transaction was done on October 19, 2005.

Further, we have received a AA+ (ind)/Stable rating from Fitch in respect of Rs. 2,250 million of long term debt (Non Convertible Debentures) as of December 6, 2005. This rating indicates high credit quality. “AA (Ind)” ratings indicate a low expectation of credit risk. They indicate strong capacity for timely payment of financial commitments.

Trustees

As the Issue is of equity shares, the appointment of Trustees is not required.

Book Building Process

Book Building Process, with reference to a public issue, refers to the process of collection of Bids, on the basis of the Red Herring Prospectus and the Prospectus within the Price Band. The Issue Price is fixed after the Bid/ Issue Closing Date.

The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) The Book Running Lead Managers;
- (3) The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/ NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs; and
- (4) The Registrar to the Issue.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% book building process, wherein 60% of Issue shall be allocated on a proportionate basis to QIBs. Of the QIB Portion, 5% would be available for allocation to Mutual Funds and the remaining QIB portion will be available for allocation to QIBs, including Mutual Funds. Further, atleast 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 30% of the

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Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. **In addition, QIBs are required to pay 10% Margin Amount upon submission of the Bid cum Application Form during the Bidding/ Issue Period and allocation to QIBs will be on a proportionate basis.** For further details please refer to section titled "Issue Structure" on page 247 of this Prospectus.

We shall comply with the SEBI Guidelines and any other directions issued by SEBI for this Issue. In this regard, we have appointed Kotak Mahindra Capital Company Limited and ABN AMRO Securities (India) Private Limited as the BRLMs to manage the Issue and to procure the subscriptions to the Issue.

The process of book building under the SEBI Guidelines is subject to change from time to time. Investors are advised to make their own judgment about investment through this process of Book Building prior to making a Bid.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within a price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding/ issue period and on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book, as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the company is able to issue the desired number of shares is the price at which the issue is subscribed, i.e., Rs. 22 in the above example. The company, in consultation with the book running lead managers, will finalize the issue price at or below such price, i.e., at or below Rs. 22. All bids at or above this issue price and bids at cut-off by retail individual bidders are valid bids and are considered for allocation in the respective categories.

Steps to be taken for Bidding:

1. Check eligibility for making a Bid (see paragraph titled "Issue Procedure - Who Can Bid" under section titled "Issue Procedure" on page 249 of this Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copy of your PAN card to the Bid cum Application Form (see paragraph titled "Issue Procedure - 'PAN' or 'GIR' Number" under section titled "Issue Procedure" on page 249 of this Prospectus); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Under written (Rs. million)
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor 229, Nariman Point Mumbai 400 021, India	9,999,900	1,999.98
ABN AMRO Securities (India) Private Limited 81, Sakhar Bhavan Nariman Point Mumbai 400 021, India	9,999,900	1,999.98
Kotak Securities Limited Bakhtawar, 7th Floor 229, Nariman Point Mumbai 400 021	100	0.02
ABN AMRO Asia Equities (India) Limited 83/84, Sakhar Bhavan Nariman Point Mumbai 400 021, India	100	0.02

The above Underwriting Agreement is dated February 28, 2006

In the opinion of the Board of Directors (based on certificates given to them by the BRLMs and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of Directors.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/ subscribe to the extent of the defaulted amount.

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CAPITAL STRUCTURE

Financial data presented in this section is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP.

The share capital of our Company as of the date of filing of this Prospectus with SEBI (before and after the Issue) is set forth below:

(Rs. in million)

	Aggregate nominal value	Aggregate Value at Issue Price
A. Authorized Capital		
90,000,000 Equity Shares of Rs. 10 each	900.00	
5,000,000 Redeemable Preference Shares of Rs. 100 each	500.00	
B. Issued, Subscribed and Paid-Up Capital before the Issue		
76,000,525 Equity Shares of Rs. 10 each	760.00	
5,000,000 Redeemable Preference Shares of Rs.100 each	500.00	
C. Present Issue in terms of this Prospectus		
20,000,000 Equity Shares of Rs. 10 each of which:		
(i) Fresh Issue of:		
10,000,000 Equity Shares of Rs. 10 each	100.00	2,000.00
(ii) Offer for Sale of:		
10,000,000 Equity Shares of Rs. 10 each	100.00	2,000.00
D. Paid Up Equity Capital after the Issue		
86,000,525 Equity Shares of Rs. 10 each	860.00	
E. Share Premium Account		
Before the Issue		1,713.60
After the Issue		3,613.60

Offer for Sale by Selling Shareholders:

The Company has 441 members as on February 7, 2006. The board of directors of M&M at its meeting held on October 26, 2005 approved the Offer for Sale of up to 10,000,000 Equity Shares. Pursuant to letters dated November 10, 2005 and December 21, 2005, we had invited our shareholders to participate in the Offer for Sale. The other Selling Shareholders have tendered 8,550 Equity Shares in the Offer for Sale. Accordingly, M&M is offering 9,991,450 Equity Shares as part of the Offer for Sale. Each shareholder who has agreed to participate in the Offer for Sale, other than M&M, has sent a letter of acceptance addressed to the Company. The Selling Shareholders have deposited the Equity Shares to be sold by them in the escrow account opened with Karvy Computershare Private Limited for this purpose. Copies of letters received from the Selling Shareholders, other than M&M, are available for inspection at the registered office of the Company.

The details of the Equity Shares being offered in the Offer for Sale by each of the Selling Shareholder are as follows:

Sr. No.	Names of Selling Shareholders	No. of Equity Shares
1.	Mahindra & Mahindra Limited	9,991,450
2.	Nita Rani Agarwal	2400
3.	Rama Tikmany	2500
4.	Hemant Dixit	400
5.	Vaijayanti Vishwas Pendse	1250
6.	Piyush Sharda	2000
Total		10,000,000

Notes to Capital Structure

- Share capital history of our Company

For Equity Shares

Date of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of allotment	Cumulative Paid up Capital (Rs.)	Cumulative Share Premium (Rs.)
January 7, 1991	7	10	10	Cash	Subscribers to the Memorandum	70	0
December 31, 1991	342,700	10	10	Cash	Allotment of shares through Rights Issue	3,427,070	0
March 30, 1992	652,293	10	10	Cash	Allotment of shares through Rights Issue	9,950,000	0
December 07, 1993	1,990,000	10	15	Cash	Allotment of shares through Rights Issue	29,850,000	9,950,000
November 1, 1994	995,000	10	30	Cash	Allotment of shares through Rights Issue	39,800,000	29,850,000
July 31, 1995	3,980,000	10	30	Cash	Allotment of shares through Rights Issue	79,600,000	109,450,000
August 29, 1996	1,990,000	10	-	Bonus	Further allotment of shares	99,500,000	89,550,000
March 27, 1997	9,950,000	10	20	Cash	Allotment of shares through Rights Issue	199,000,000	189,050,000
September 30, 1998	12,003,231	10	20	Cash	Allotment of shares through Rights Issue	319,032,310	309,082,310
September 2, 1999	4,618,508	10	22	Cash	Allotment of shares through Rights Issue	365,217,390	364,504,406
September 30, 1999	4,604,144	10	22	Cash	Allotment of shares through Rights Issue	411,258,830	419,754,134
December 2, 1999	19,497,420	10	22	Cash	Allotment of shares through Rights Issue	606,233,030	653,723,174
March 30, 2005	9,532,777	10	50	Cash	Allotment of shares through Rights Issue	701,560,800	1,035,034,254
December 6, 2005	26,86,550	10	51	Cash	Allotment of shares to the ESOS Trust	728,426,300	1,145,182,804
January 5, 2006	3,157,895	10	190	Cash	Allotment of shares to Copa Cabana	760,005,250	1,713,603,904
Total	76,000,525						

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For Preference Shares

Date/Year of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of allotment	Cumulative Paid up Preference Capital (Rs.)	Cumulative Preference Share Premium (Rs.)
August 25, 2004	2,500,000	100	100	Cash	Allotment of Preference Shares to UTI Bank Limited	250,000,000	Nil
October 28, 2004	2,500,000	100	100	Cash	Allotment of Preference Shares to UTI Bank Limited	250,000,000	Nil
Total	5,000,000						

2. Promoters' Contribution and lock-in

Name	Date of allotment/ transfer and date on which made fully paid up	Nature of Allotment	Number of Equity Shares Allotment)	Consideration	Face Value (Rs.)	Issue/ transfer price	% of post -Issue paid -up capital	Lock-in Period (from date of
M&M	September 9, 2003	Transfer	35,575	Cash	10	20	0.04%	3 years
	May 12, 2003	Transfer	256,350	Cash	10	20	0.30%	3 years
	August 7, 2002	Transfer	314,303	Cash	10	20	0.37%	3 years
	July 25, 2001	Transfer	20,417	Cash	10	20	0.02%	3 years
	December 2, 1999	Allotment in Rights Issue	16,573,460	Cash	10	22	19.27%	3 years
	Total		17,200,105				20.00%	

The Equity Shares of the Promoter will be locked-in for the period specified above from the date of Allotment of Equity Shares in this Issue. The Equity Shares to be locked-in for a period of three years have been computed as 20% of our equity capital after the Issue.

Locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoter/ Promoter Group or to a new promoter or persons in control of the Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Other than as stated above and Equity Shares issued to the ESOS Trust and Equity Shares being offered for sale in the Offer for Sale, our entire pre-Issue equity share capital will be locked-in for the period of one year from the date of Allotment of Equity Shares in this Issue.

Further, in terms of clause 4.16.1(a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

3. Our shareholding pattern before and after the Issue is as follows:

	Before the Issue		After the Issue	
	No. of shares	%	No. of shares	%
Promoters	68,232,982	89.78%	58,241,532	67.72%
ESOS Trust	2,686,550	3.53%	2,686,550	3.12%
Copa Cabana	3,157,895	4.16%	3,157,895*	3.67%
Others	1,923,098	2.53%	1,914,548*	2.23%
Public	Nil	Nil	20,000,000	23.26%
TOTAL	76,000,525	100.00%	86,000,525	100.00%

*This is based on the assumption that such shareholders shall continue to hold the same number of Equity Shares after the Issue. This does not include any Equity Shares that such shareholders may subscribe for and be allotted in the Issue.

4. The list of our top 10 shareholders and the number of Equity Shares held by them two years prior to the date of filing of this Prospectus with RoC is as under:

S. No.	Names of Shareholders	Number of Equity Shares held	% holding
1.	Mahindra & Mahindra Limited	58,821,537	97.03%
2.	Sulbha Subhash Lodha	122,500	0.20%
3.	Ramesh Singh (HUF)	114,285	0.19%
4.	Rasiklal Manikchand Dhariwal	57,312	0.09%
5.	Ramesh Singh	57,142	0.09%
6.	Somaraju Penmetcha	57,142	0.09%
7.	Lakshmi Chandidas Gupta	52,500	0.09%
8.	Autoriders India Private Limited	50,000	0.08%
9.	Harsolia Finance Private Limited	40,828	0.07%
10.	Subhash Hastimal Lodha	39,000	0.06%

5. The list of our top 10 shareholders and the number of Equity Shares held by them 10 days and two days prior to the date of filing of this Prospectus with RoC is as under:

S. No.	Names of Shareholders	Number of Equity Shares held	% holding
1.	Mahindra & Mahindra Limited	68,232,982	89.78%
2.	Copa Cabana	3,157,895	4.16%
3.	ESOS Trust	2,686,550	3.53%
4.	Sulbha Subhash Lodha	142,100	0.19%
5.	Ramesh Singh (HUF)	114,285	0.15%
6.	Rasiklal Manikchand Dhariwal	66,481	0.09%
7.	Lakshmi Chandidas Gupta	60,900	0.08%
8.	Ramesh Singh	57,142	0.08%
9.	Somaraju Penmetcha	57,142	0.08%
10.	Autoriders India Private Limited	50,000	0.07%

6. Our Company, our Directors or the BRLMs have not entered into any buy-back and/ or standby arrangements for purchase of Equity Shares from any person.
7. In the Issue, in case of over-subscription in all categories, 60% of the Issue shall be available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion will be available for allocation to the Mutual Funds. Mutual Funds participating in the 5% portion of the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further, atleast 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Company and the Selling Shareholders in consultation with the BRLMs.
8. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares, except as disclosed in the note below.
9. On October 24, 2005, our shareholders approved our ESOS and issue of up to 3,507,804 Equity Shares to the ESOS Trust. On December 6, 2005, we allotted 26,86,550 Equity Shares at Rs. 51.00 per Equity Share to the ESOS Trust. We shall allot further Equity Shares to the ESOS Trust, up to the limit approved by our shareholders for grant of options to the eligible employees from time to time. Our ESOS will be administered by our Compensation

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Committee, which shall determine the terms and conditions of the stock options granted from time to time. On December 7, 2005, the ESOS Trust granted 2,686,550 options to the eligible employees. Under our ESOS, employees means all present and future permanent employees of our company, our holding company or subsidiary and all present and future directors of our Company, our holding company or subsidiary unless prohibited from participating in the ESOS under any law or regulations.

We have issued the following options under our ESOS:

Particulars (as at February 7, 2006)

a. Options granted	2,686,550
b. Exercise Price	Rs. 51.00
c. Options vested	Nil
d. Options exercised	Nil
e. The total number of Equity Shares arising as a result of full exercise of options already granted	2,686,550
f. Options lapsed	Not Applicable
g. Variation of terms of options	Nil
h. Money realized by exercise of options	Nil
i. Total number of options in force	2,686,550
j. Person-wise details of options granted to:	
i) Directors and key managerial employees	Refer Note 1 below
ii) any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	Nil
iii) identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Nil
k. Diluted EPS pursuant to issue of Equity Shares on exercise of options granted	Rs. 10.0 [#]
l. Vesting Schedule	
	%
	35
	25
	20
	10
	10
	From the date of grant
	On expiry of 12 months
	On expiry of 24 months
	On expiry of 36 months
	On expiry of 48 months
	On expiry of 60 months

[#] Calculated based on annualised PAT of December 31, 2005 (without securitisation income) divided by weighted average number of shares including shares allotted to the ESOS Trust on December 6, 2005.

Note 1: Details regarding options granted to our Directors and our key managerial employees are set forth below:

Sr. No.	Name of Director/ Key Managerial Personnel	No. of options granted under ESOS
1	Mr. Bharat N. Doshi	200,000
2	Mr. Uday Y. Phadke	10,000
3	Mr. Anjanikumar Choudhari	10,000
4	Dr. Pawan Goenka	10,000
5	Mr. Manohar G. Bhide	10,000
6	Mr. Dhananjay Mungale	10,000
7	Mr. Nasser Munjee	10,000
8	Mr. Piyush Mankad	10,000
9	Mr. Ramesh Iyer	100,000
10	Mr. V. Ravi	60,000
11	Mr. Apurv Verma	40,000
12	Mr. Nitin Shah	12,000
13	Mr. Rajesh Vasudevan	10,000
14	Mr. Dinesh Prajapati	12,000
15	Mr. Sankha Bhowmick	3,250
16	Mr. Rajesh Joshi	12,000
17	Mr. Suresh Shanmugam	7,500
18	Mr. Gurdev Mehta	14,000
19	Mr. Binoj Mathai	7,500
20	Mr. Richard Clement	7,500
21	Mr. H.S. Kamath	7,500
22	Mr. Rajnish Agarwal	7,000

None of options granted under our ESOS, would vest within three months after the date of listing of our Equity Shares.

10. Our Promoter, our Promoter Group or our Directors have not purchased or sold (except for Equity Shares being offered in this Offer for Sale), any Equity Shares during a period of six months preceding the date on which the Draft Red Herring Prospectus was filed with SEBI. However, certain of our directors as mentioned in the note above have been granted options pursuant to the ESOS.
11. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
12. An oversubscription to the extent of 10% of the Issue can be retained for purposes of rounding off to the nearest multiple of 35 while finalizing the basis of Allotment.
13. There would be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares have been listed, except we may allot further Equity Shares to the ESOS Trust, up to the limit approved by our shareholders for grant of options to the eligible employees from time to time. We may issue non-convertible debentures to meet our funding requirements during such period.
14. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except we may allot further Equity Shares to the ESOS Trust, up to the limit approved by our shareholders for grant of options to the eligible employees from time to time or, if we enter into acquisitions or joint ventures, or to fund accelerated growth or retain/ enhance credit rating, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

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15. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
16. As of February 7, 2006, the total number of holders of Equity Shares was 441.
17. We have not raised any bridge loans against the proceeds of the Issue.
18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash, except by way of bonus issue, details of which are mentioned in note 1 above.
19. We had filed an application with the FIPB vide our letter dated November 18, 2005, seeking approval for issue and transfer of Equity Shares in this Issue to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. The FIPB has, vide its letter No. FC.II.:27(2006)/353(2005) dated January 19, 2006 conveyed its approval for the fresh issue of up to 15 million Equity Shares and transfer of up to 10 million Equity Shares held by the Selling Shareholders to eligible non-residents including FIIs, NRIs, FVCIs and multilateral and bilateral development financial institutions in an initial public offer on a repatriation basis at an issue price discovered through the SEBI regulated process of book building, subject, inter alia, to the minimum capitalization norms for FDI in the NBFC sector. We had applied for approval from the RBI pursuant to our letter dated November 24, 2005 for issue/ transfer of Equity Shares to eligible non-residents including FIIs, NRIs, FVCIs and multilateral and bilateral development financial institutions in the Issue, on a repatriation basis at an issue price discovered through the SEBI regulated process of book building. The RBI has, vide its letter no. FE.CO.PID/17321/10.21.031/2005/2006 dated February 8, 2006 granted approval for such issue/ transfer of Equity Shares. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

OBJECTS OF THE ISSUE

The objects of the Issue are to achieve the benefits of listing on the Stock Exchanges and to raise capital. We believe that listing will enhance our brand name and provide liquidity to our existing shareholders and our employees who have been granted options under our ESOS. Listing will also provide a public market for our Equity Shares in India.

The Issue comprises the Fresh Issue and the Offer for Sale. The object of the Offer for Sale is to carry out the disinvestment of up to 10,000,000 Equity Shares of Rs. 10 each by the Selling Shareholders. We will not receive any of the proceeds from the Offer for Sale.

The objects of the Fresh Issue are to augment our Tier I capital base and to provide funding for loans to our customers, and for other general corporate purposes including meeting the expenses of the Issue. We are seeking to strengthen our capital base to support the future growth in our assets.

Requirement and Sources of Funds

Requirement of Funds	Rs. in million
Augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes	1878.0
Estimated Issue expenses*	122.0
TOTAL	2,000.0

* estimated expenses on the Fresh Issue.

Sources of Funds	Rs. in million
Proceeds of the Fresh Issue	2,000.0
TOTAL	2,000.0

We provide finance for utility vehicles used both for commercial and personal purposes, tractors and cars in rural and semi-urban areas of India. As there is no project to be implemented, the proceeds from the Fresh Issue will be used to augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes.

The main objects clause and the objects incidental or ancillary to the main objects clause of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised by us in the Issue.

Estimated Issue Expenses

Activity	Rs. in million*
Estimated lead management, underwriting and selling commission	64.0
Estimated other expenses (including advertising fees, Registrar's fees, legal fees, printing and stationery expenses and listing fees)	180.0
TOTAL	244.0

* include expenses on Fresh Issue and Offer for Sale. All expenses with respect to the Issue will be shared with us and the Selling Shareholders on a proportionate basis in the ratio of Equity Shares issued by us in the Fresh Issue and the Equity Shares sold by the Selling Shareholders in the Offer for Sale.

Monitoring of Utilization of Funds

Our Board will monitor the utilisation of proceeds from the Fresh Issue. No part of the proceeds from the Fresh Issue will be paid by us as consideration to our Promoter, our Directors, key managerial employees or companies promoted by our promoters except in the normal course of business.

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Interim Use of Proceeds

Our management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Fresh Issue for the purposes described above, we intend to temporarily invest the funds in interest bearing liquid instruments including deposits with banks and investments in liquid (not equity) mutual funds. Such investments would be in accordance with the investment policies approved by our Board of Directors from time to time.

BASIS FOR ISSUE PRICE

The face value of the Equity Shares is Rs. 10 and the Issue Price is 17 times the face value at the lower end of the Price Band and 20 times the face value at the higher end of the Price Band.

1. Adjusted earning per share (EPS)

Year	EPS (Rs.)	Weight
Fiscal 2003	7.3	1
Fiscal 2004	10.7	2
Fiscal 2005	13.2	3
Weighted Average	11.4	

- (i) EPS has been calculated as per the following formula:
(Profit after tax net of preference dividend)/ (Weighted average number of Equity Shares)
- (ii) Net Profit, as restated and appearing in the statement of profits and losses has been considered for the purpose of computing the above ratio. The net profit is based on the restated unconsolidated financial statements of the Company.
- (iii) The number of Equity Shares for the year ending March 31, 2005 have been adjusted for the rights issue in accordance with Accounting Standard 20 – “Earnings per share” issued by the Institute of Chartered Accountants of India for computing the Earnings per share.

2. Price to Earning Ratio (P/ E) in relation to Issue Price of Rs. 200.0

- (i) Based on the Fiscal 2005 EPS of Rs. 13.2 is **15.2**.
 - (ii) Industry P/ E.
 - (a) Highest: 109.7
 - (b) Lowest: 0.3
 - (c) Industry composite: 15.6
- (Source: Capital Market Volume XX/26, dated February 27-March 12, 2006, Category “Finance & Investments”)*

3. Return on Net Worth (RONW)

Year	RONW	Weight
Fiscal 2003	21.5%	1
Fiscal 2004	25.9%	2
Fiscal 2005	22.6%	3
Weighted Average	23.5%	

- (i) RONW has been calculated as per the following formula:
(Net Profit after tax net of preference dividend)/ (Equity shareholder’s funds outstanding at the end of the year)

4. Minimum Return on total Net Worth after the Issue required to maintain pre-Issue EPS of Rs. 13.2 is 16.6%

5. Net Asset Value (NAV) per Equity Share

- (i) As of December 31, 2005*: Rs. 57.1;
- (ii) After the Issue: Rs. 79.3

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

NAV has been calculated as per the following formula:

(Equity shareholders' funds)/ (Total number of Equity Shares outstanding at the end of the period)

*Following have not been considered for calculating Net Asset Value of the shares:

- i) In accordance with the Guidance Note on Accounting for Employee Share Based Payments issued by the Institute of Chartered Accountants of India, 2,686,550 Equity Shares issued to Employees Stock Option Trust as on December 6, 2005
- ii) 31,57,895 Equity Shares issued to Copa Cabana under private placement agreement on January 5, 2006
- iii) 1,00,00,000 Equity Shares proposed to be issued under Initial Public Offering

6. Comparison with Industry Peers

Particulars	Price Per Share ⁽¹⁾	NAV (Rs.) ⁽²⁾	EPS (Rs.) ⁽³⁾	P/E (times)	RONW% ⁽²⁾	Price/ Book Value
MMFSL	200	50.7	12.7	15.7	22.6%	3.9
Bajaj Auto Finance Limited	547	133.5	13.8	39.8	21.9%	4.1
Cholamandalam Investments Limited	219	79.8	10.1	21.6	12.6%	2.7
Shriram Transport Finance Limited	107	20.4	7.0	15.4	32.5%	3.0
Sundaram Finance Limited	375	245.9	30.0	12.5	12.6%	1.5

(1) Price per share has been taken as the closing price on February 20, 2006

(2) Calculated as per Fiscal 2005.

(3) EPS is for trailing twelve month period ended December 31, 2005.

Source: Our EPS, NAV and RONW have been calculated from our audited financial statements. Source of other information is Capital Market Volume XX/26, dated February 27-March 12, 2006, Category "Finance & Investments")

The Issue Price of Rs. 200 has been determined by us and the Selling Shareholders, in consultation with the BRLMs, on the basis of the demand from investors for the Equity Shares through the Book-Building Process and is justified based on the above accounting ratios.

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the Selling Shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Statement of possible direct tax benefits available to our Company and the shareholders

1. Benefits available to the Company

Under the Income-tax Act, 1961 ("I.T. Act")

1.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by domestic companies are exempt in the hands of the Company as per the provisions of Section 10(34) of the I.T. Act.

1.2 Incomes exempt under Section 10(35)

The Company will be eligible for exemption of income distributed by mutual funds in accordance with and subject to the provisions of Section 10(35) of the I.T. Act.

1.3 Computation of capital gains

1.3.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.3.2. Section 48 of the I.T. Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

1.3.3 As per the provisions of Section 112 of the I.T. Act, long term gains as computed above that are not exempt under section 10(38) of the I.T. Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.3.4 As per the provisions of section 111A of the I.T. Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 10% (plus applicable surcharge and education cess).

1.3.5 Exemption of capital gain from income tax

- According to section 10(38) of the I.T. Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54ED of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

1.4. Business deductions

Under Section 36(1)(vii)/36(2) of the I.T. Act, any bad debts or part thereof written off as irrecoverable, would be allowed as a deduction from our total income in accordance with and subject to the provisions contained therein.

2. Benefits available to resident shareholders

2.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the I.T. Act.

2.2 Computation of capital gains

2.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

2.2.2 Section 48 of the I.T. Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the I.T. Act, long term gains as computed above that are not exempt under section 10(38) of the I.T. Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 As per the provisions of section 111A of the I.T. Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10% (plus applicable surcharge and education cess).

2.2.5 Exemption of capital gain from income tax

- According to section 10(38) of the I.T. Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the I.T. Act.

- According to the provisions of section 54ED of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the I.T. Act.

- According to the provisions of section 54F of the I.T. Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (‘HUF’), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is

invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3. Benefits available to Non-Resident Indian shareholders

3.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the I.T. Act.

3.2 Computation of capital gains

3.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the I.T. Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. In view of this, the benefit of indexation is not available to a NRI.

3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

According to the provisions of Section 112 of the I.T. Act, long term gains as computed above that are not exempt under section 10(38) of the I.T. Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of section 111A of the I.T. Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10% (plus applicable surcharge and education cess).

3.2.5 Options available under the I.T. Act

Where shares have been subscribed to in convertible foreign exchange –

Option of taxation under Chapter XII-A of the I.T. Act:

Non-Resident Indians [as defined in Section 115C(e) of the I.T. Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the I.T. Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

According to the provisions of section 115D read with Section 115E of the I.T. Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.

According to the provisions of section 115F of the I.T. Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the I.T. Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the I.T. Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of Section 115G of the I.T. Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the I.T. Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the I.T. Act.

Under Section 115H of the I.T. Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the I.T. Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

As per the provisions of Section 115I of the I.T. Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the I.T. Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the I.T. Act.

3.2.6 *Exemption of capital gain from income tax*

- According to section 10(38) of the I.T. Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.
- According to the provisions of section 54EC of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the I.T. Act.

- According to the provisions of section 54ED of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six

months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the I.T. Act.

- According to the provisions of section 54F of the I.T. Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4. Benefits available to other Non-residents

4.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the I.T. Act.

4.2 Computation of capital gains

4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

4.2.2 Section 48 of the I.T. Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to

acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. In view of this, the benefit of indexation is not available to a NRI.

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the I.T. Act, long term gains as computed above that are not exempt under section 10(38) of the I.T. Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the I.T. Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10% (plus applicable surcharge and education cess).

4.2.5 Exemption of capital gain from income tax

- According to section 10(38) of the I.T. Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the I.T. Act.

- According to the provisions of section 54ED of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the I.T. Act.

- According to the provisions of section 54F of the I.T. Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

4.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

5. Benefits available to Foreign Institutional Investors (‘FIIs’)

5.1 Dividends exempt under section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the I.T. Act.

5.2 Taxability of capital gains

As per the provisions of section 115AD of the I.T. Act, FIIs will be taxed on the capital gains that are not exempt under section 10(38) of the I.T. Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the I.T. Act are not available to an FII.

According to Section 111A of the I.T. Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10% (plus applicable surcharge and education cess).

5.3 Exemption of capital gain from income tax

- According to section 10(38) of the I.T. Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- As per the provisions of Section 54ED of the I.T. Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

5.4 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

6. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the I.T. Act, any income of Mutual Funds registered under the Securities and Exchange Board of India I.T. Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

7. Tax Treaty benefits

In accordance with Section 90 (2), an investor has an option to be governed by the provisions of the I.T. Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

8. Benefits available under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

9. Benefits available under the Gift-tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

The above Statement of Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of Equity Shares.

SECTION IV: ABOUT US**OUR INDUSTRY**

The information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the RBI and has not been prepared or independently verified by us or any of our advisors.

India Macro-Economic Overview

Over the past ten years, the Indian economy has grown at an average rate of 6.16% per year. The following chart presents a comparison of India's average GDP growth rate with the average growth rates of certain other countries from 1993 to 2003.

Country	Average GDP growth
India	6.16%
Australia	3.79%
Brazil	2.52%
Chile	4.56%
China	8.92%
Japan	1.32%
Korea	5.50%
Malaysia	5.32%
Russia	0.91%
Thailand	3.54%
United Kingdom	2.92%
United States of America	3.27%

Source: United Nations Statistical Division

According to statistics prepared by United Nations Statistical Division, over the past ten years, the per capita GDP and average consumer spending in India has increased at an average rate of 3.82% and 4.79%, respectively. After growing at 8.5% in Fiscal 2004, albeit over a low base, growth was at 6.9% in Fiscal 2005.

The growth in GDP was initially led by consumer asset demand (for example increased spending on housing and cars) and an improvement in commodity prices. Now, however, the growth is being sustained by increased foreign and domestic investment.

The Rural Economy**Introduction**

From a nation dependent on food imports in the 1950s, India today is not only self-sufficient in grain production, but has also begun to export food products. The increase in agricultural production has been brought about by a combination of bringing additional land under cultivation, the extension of irrigation facilities, use of improved high yielding variety of seeds, better techniques developed through agricultural research, improved water management and improved crop yields through use of fertilizers, pesticides and improved cropping practices. An analysis of the trends in rainfall deficiency and grain production suggests a reduced dependence on south-west monsoon which accounts for 80% of rainfall in the year. (*Source: RBI Annual Report 2005*). Institutional credit flow to agriculture and related activities has also played a significant role in improving production levels. While share of agriculture and allied activities as a percentage of GDP in India has dropped from 25% in 2000 to 20.5% in 2005 the changing composition of agricultural produce has led to a rise in the non-farm sector.

The GoI is focused on rural development and has increased funding for the development of agriculture market infrastructure, establishment of rural knowledge centres and agricultural research.

Gol Expenditure on selected developmental sectors:

	2003-04		2004-05 (Revised Estimates)		2005-06 (Budget Estimates)	
	Amount (Rs. Billion)	% of total expenditure	Amount (Rs. Billion)	% of total expenditure	Amount (Rs. Billion)	% of total expenditure
Agriculture	329	7.0%	366	7.2%	397	7.7%
Rural Development	121	2.6%	85	1.7%	114	2.2%
Irrigation	4	0.1%	3	0.1%	4	0.1%

Source: RBI Annual Report 2004-05

In the Budget for 2005-06 presented by the Finance Minister on February 28, 2005, the government declared/launched "Bharat Nirman", a plan for building infrastructure, especially in rural India, to be implemented over a period of four years. Bharat Nirman will have six components: irrigation, roads, water supply, housing, rural electrification and rural telecom connectivity. Under this scheme, Gol plans to:

- bring an additional ten million hectares under assured irrigation;
- connect all villages with a population of 1000 (or 500 in hilly/tribal areas) with a road;
- construct 6 million additional houses for the poor;
- provide drinking water to the remaining 74,000 habitations that are uncovered;
- reach electricity to the remaining 125,000 villages and offer electricity connection to 23 million households; and
- give telephone connectivity to the remaining 66,822 villages.

Rural Consumption

Rising incomes in rural India have led to increase in demand for a wide range of consumer goods over the last decade. According to data from NCAER the growing prosperity has led to increased purchases of durables and consumables in rural areas and is expected to continue to increase in future. While rural consumers are likely to continue to account for about 60% of total stock of low-cost items like bicycles and wrist watches, rural share in demand for high value items like motorcycles and automobiles is expected to increase in future, as indicated in the table below.

	Demand in Thousands			Rural share in %		
	1996	2002	2010 P	1996	2002	2010 P
Scooters	368	355	311	33.1%	39.4%	39.9%
Motorcycles	359	1,036	4,045	47.3%	39.8%	48.3%
Mopeds	283	235	141	52.7%	58.2%	57.7%
Cars/Jeeps	6	63	376	2.1%	8.0%	10.9%
Televisions	4,852	6,400	7,712	54.0%	54.5%	44.2%

Source: NCAER Market Information Survey of Households, May 2005

The Automobile & Tractor Industry
Automobile Industry

As per a CRIS INFAC study, more than one million passenger cars and UVs were sold in India in Fiscal 2005. Healthy growth in the disposable incomes of families, lower EMI owing to longer tenures and an increase in the penetration of finance and the distribution of cars are expected to continue to drive the demand growth in passenger cars and UVs. CRIS INFAC has projected this segment to grow at a CAGR of 12% over the next five years, reaching annual domestic sales of about 1.87 million in 2009-10. The projected growth in various segments is as follows:

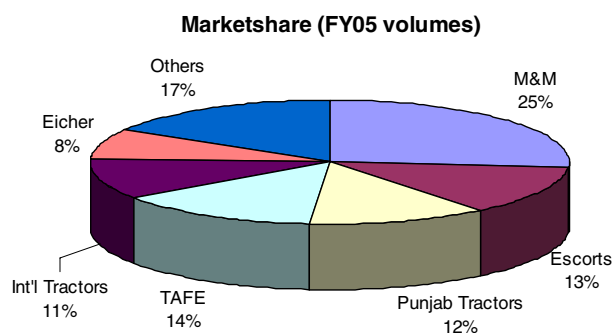
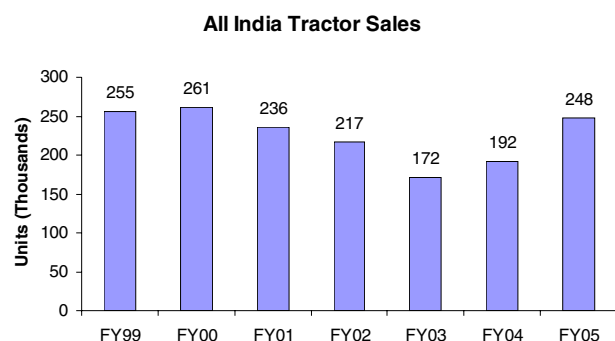
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(Units)	2004-05 E	2009-10 P	5 year CAGR %
Total passenger cars (domestic)	819,729	1,518,408	13%
Utility Vehicles (domestic)	241,307	354,926	8%
Total domestic	1,061,036	1,873,335	12%
Exports (cars & UVs)	189,396	487,413	21%
Total	1,250,432	2,360,748	14%

The compact car segment (i.e. cars with length of 3,401 mm to 4,000 mm. e.g. Maruti Alto, Hyundai Santro and Tata Indica) is expected to make a significant contribution to the growth in passenger cars sales. The segment is expected to grow by 12%, driven by a wide choice in models and low EMIs. UV sales are likely to grow at a moderate CAGR of 8% over the next 5 years. This growth will be led mainly by the strong growth in the passenger UV segment, with the launch of affordable models.

Tractor Industry

The tractor industry in India is a significant one, considering the importance accorded to the agricultural sector. With net sales of Rs. 108 bn, the Indian tractor industry grew by 36.3% in Fiscal 2005 off the back of higher demand, improvement in prices and increased availability of cheaper finance. Fuelled by rising domestic sales and exports, overall tractor sales grew by 29.1% to 248,000 units in 2004-05. The following tables show the level of tractor sales over the period from 1999 to Fiscal 2005 along with Fiscal 2005 market share data:



Source: CRIS INFAC

M&M, Escorts, Punjab Tractors, TAFE and International Tractors are the leading players in India.

In India, tractors are utilized for various purposes besides farming. Rising infrastructure activities are enhancing the use of tractors for transportation of materials to construction or infrastructure development sites. A revival in the sugar industry has also augmented tractor owners' income from hiring of their tractors, which are used to transport the sugarcane to factories.

Almost all tractors are sold on finance due to relatively lower interest rates, easy repayment norms and longer tenure of finance.

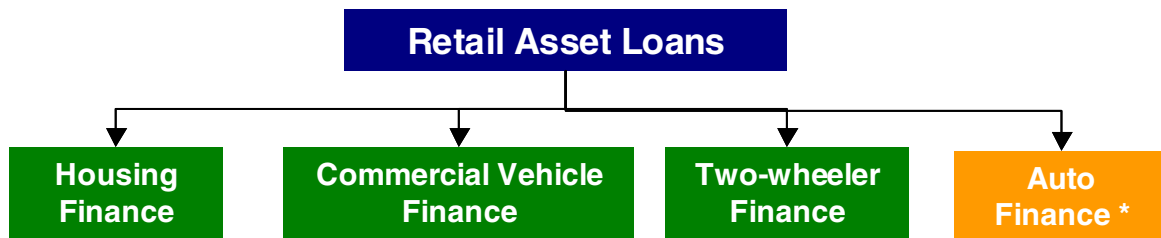
The Retail Finance Industry

Introduction

The Indian retail finance market has undergone significant changes during the last few years. Previously, Indians were averse to the concept of using credit to fund their purchases and preferred to save and then spend. Today, with a variety of consumer credit products being widely available, we believe, Indians are willing to acquire assets through borrowing.

Structure

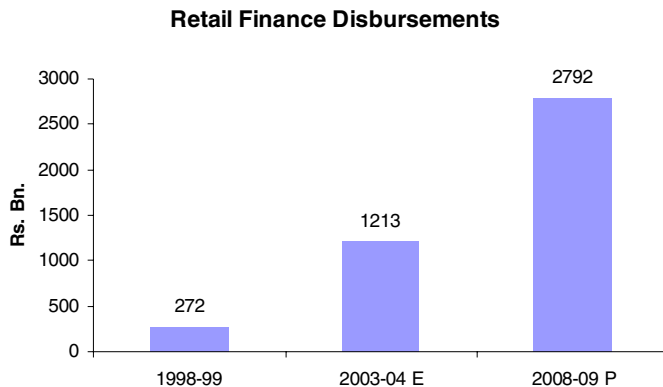
The retail asset finance market includes loans for housing, cars and utility vehicles (auto finance), commercial vehicles and two-wheelers. Housing and auto finance account for majority of the disbursements.



* Includes cars & utility vehicles

Source: CRIS INFAC

The retail asset finance market has grown between 1998-99 and 2003-04 at an annualised rate of 35%. CRIS INFAC expects the retail finance market to continue to grow, albeit at lower rates. The following graph indicates the growth in retail finance disbursements over a ten year period.



Source: CRIS INFAC

Auto Finance

The Indian auto finance market can be classified into:

- New car finance
- New utility vehicle finance (MUVs and SUVs)
- Used vehicle finance (cars and UVs).

In 2003-04, the organized sector, principally banks and NBFCs, accounted for about 85% of the Indian auto finance market with the balance being serviced by local money lenders. According to statistics published by CRIS INFAC the organized sector has grown at about 28% CAGR in the last 5 years and is expected to grow at about 19% till 2009.

(Rs. Billion)	1998-99	2003-04	2004-05	2008-09	1999-2004 (CAGR%)	2004-2009 (CAGR%)
New car finance	48	173	221	410	29.2	18.9
New UV finance	24	54	66	104	17.5	13.8
Total new auto finance market	72	227	286	514	25.7	17.8
Used vehicle finance	N.A.	19	26	64	N.A.	27.0
Total auto finance market	72	246	312	578	27.8	18.6

Source: CRIS INFAC

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The growth in auto sales has been facilitated by the ready availability of finance. Most of the new vehicles sold are financed by either the banks or the NBFCs. Some key statistics related to this market are given below:

	Cars	UVs
Average selling price (Rs. '000)	405	469
% of vehicles financed (%)	82	77
Average loan to value (%)	80	75
Finance penetration (%)	66	58

Source: CRIS INFAC

Used vehicle finance is expected to witness higher growth, with the average holding period of a car having dropped to 4-5 years from earlier 10-12 years. This can be attributed to rising income levels, which have fuelled aspirations of buyers, introduction of new variants, easy availability of finance and a change in buyers' mindset from being credit averse to being credit friendly. The finance penetration by organised players is expected to increase to 30% from the existing 17% in this segment.

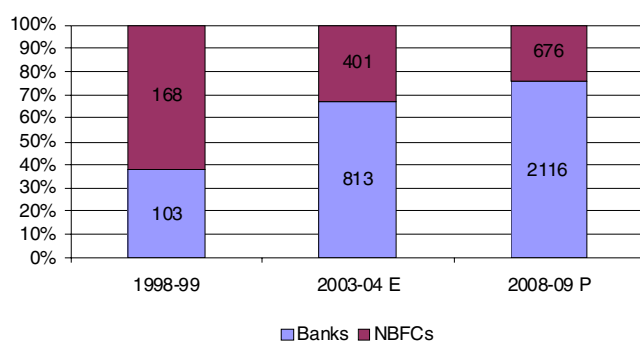
Leading institutions in India's auto finance market

The organised auto finance market is dominated by:

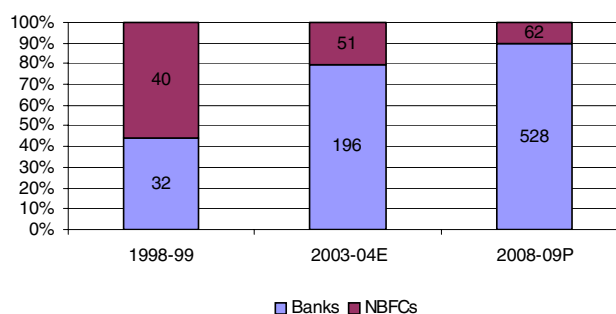
- Banks: Private, foreign, public and co-operative banks
- NBFCs.

The key players in this segment are banks and NBFCs, with banks having a larger market share due to their relatively cheaper costs of funds and greater branch networks.

Retail Asset Finance Disbursements (Rs. Bn.)



Auto Finance Disbursements (Rs. Bn.)



Source: CRIS INFAC

Tractor Finance

The GoI currently actively promotes the agricultural credit market and tractor finance is classified as priority sector lending by the RBI. The GoI initiatives on agricultural financing have resulted in a reduction of the lending criteria for tractors, for example, in the minimum land required for mortgage finance. Certain percentage of an Indian bank's total advances portfolio must be invested in specified priority sectors. With the recent removal of investment in venture capital funds from the list of priority sector lending areas we believe that there may be an increased focus from banks on agriculture lending, particularly tractor finance, as it is a preferred mode of agriculture finance due to the relatively bigger loan size and higher resale value of a tractor.

Almost all tractors are sold on finance due to relatively lower interest rates, easy repayment norms and longer tenure of finance. Public sector banks are the key players in the organized sector besides a few NBFCs including us.

Key Industry Drivers

For Car & Utility Vehicle financing

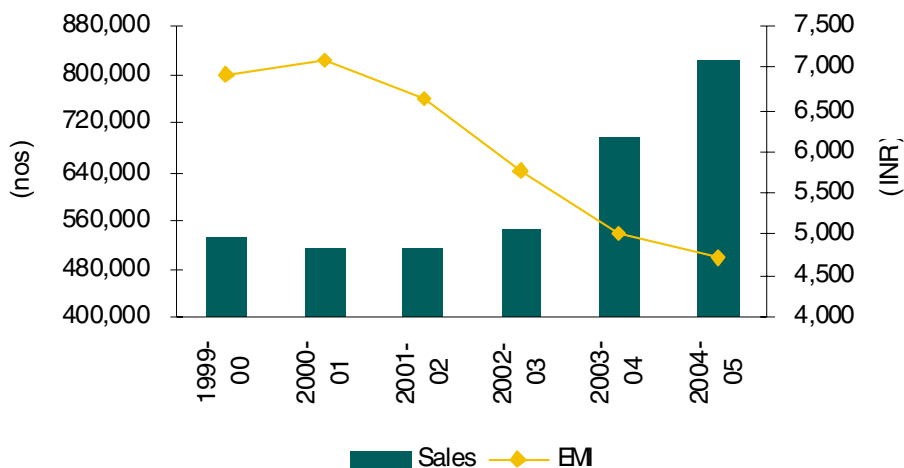
Growth in Incomes – There has been an increase in the affordability of cars during the last three-four years. As seen from the graph, the increase in per capita income has been higher than the increase in car prices resulting in greater demand for cars and hence higher demand for car financing.



Source: CRIS INFAC

Fall in EMIs – there has been a significant increase in the demand for automobiles and hence auto finance on account of decreasing EMIs. The decrease in EMIs is on account of decreasing interest yields and longer average loan tenures.

Decreasing EMIs result in higher volumes



Note: EMI is calculated on the price of the Maruti 800 model on 85% of the loan availed

Source: CRIS INFAC

Improvement in Distribution Network – a broader distribution network has enabled a larger population to be targeted and has also resulted in an improvement of the sales and service infrastructure. This has in turn resulted in demand for vehicles and thereby increasing the demand for financing.

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Availability of Finance – the increase in the availability of finance has itself helped increase demand for cars and utility vehicles. Car manufacturers have tied up with public sector banks to provide finance to target rural and semi-urban areas thereby increasing demand. Further the average loan to value (“LTV”) for cars has also increased over the last 5 years. The LTV has increased from 70% in 1998-99 to 80% in 2003-04.

Growth in used car and utility vehicle markets – the average holding period of a new car has slipped to 4-5 years from the earlier 10-12 years resulting in the development of the used car market as well as increasing demand for new cars and UVs. The used car market development has resulted in the easier disposal of old cars and upgrade to new cars thereby creating potential customers for new cars and also providing an opportunity for aspiring car owners to own a cheaper second hand car. This creates financing opportunity for buyers of both new and used car.

For Tractor Financing

Rising Infrastructure activities – Tractors are used in rural areas for farming activities as well as in transportation of material to construction and infrastructure development site. The increased activity of road construction and other infrastructure development has resulted in increased demand for tractors and hence an increase in demand for finance

Mechanisation of farming – Improvements in farm technology have resulted in greater use of productivity boosting farm equipment such as tillers, harvesters, threshers and bore-well pumps. These are power intensive and due to non-availability of power, tractors are often used to provide power for the use of these tools. In addition with a reduction in farm labour due to the movement of labour toward urban centres, and increasing awareness amongst farmers regarding the benefits of increased farm productivity, many farmers are looking to increase the use of farm equipment including tractors.

OUR BUSINESS

Overview

We are one of India's leading non-banking finance companies focused on the rural and semi-urban sector providing finance for utility vehicles, tractors and cars with largest network of branches covering these areas (*Source: Association of Leasing and Financial Services Companies, November 2005*). We are a subsidiary of M&M, a leading tractor and UV manufacturer with over 60 years experience in the Indian market.

Our goal is to be the preferred provider of retail financing services in the rural and semi-urban areas of India. 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. We principally finance UVs used both for commercial and personal purposes, tractors and cars. While we predominantly finance M&M UVs and tractors, we have continued to expand our lending in respect of non-M&M vehicles.

In the three years ended March 31, 2005, we expanded our branch network from 195 to 255 branches providing services to customers in 25 states and two Union Territories across India. During the same period, the cumulative number of customer contracts entered into grew from 161,079 to 336,819. As of December 31, 2005, we had 295 branches in 25 states and two Union Territories in India and had entered into 430,300 customer contracts. In addition, on September 16, 2005 we entered into an agreement with HPCL whereby they granted us permission to establish outlets in selected petrol stations owned or franchised by them. We intend to use these outlets to make new loans and provide payment services in respect of existing loans.

As our geographical reach and market penetration have expanded, so too have our Loan Assets, which grew from Rs. 11,702.1 million as of March 31, 2003 to Rs. 17,106.3 million as of March 31, 2004, to Rs. 26,310.6 million as of March 31, 2005 and to Rs. 36,628.7 million as of December 31, 2005. As of December 31, 2005, our net NPA constituted 3.7% of Total Assets.

Our 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 our profit after tax increased from Rs. 441.8 million to Rs. 822.7 million at a compound annual growth rate of 36.5%. As of December 31, 2005 our total income was Rs. 3,983.0 million, our profit after tax was Rs. 610.7 million and we had Rs. 4,026.1 million of share capital and reserves.

In May 2004, as a supplement to our lending business we started an insurance broking business through our wholly owned subsidiary, Mahindra Insurance Brokers Limited. During Fiscal 2005, in its first year of operations, MIBL earned an income of Rs 34.4 million and achieved a profit after tax of Rs. 17.3 million.

Our Strengths

We believe that the following are our key strengths:

Knowledge of rural and semi-urban market

We were 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 was principally provided by banks from the organised finance sector or by the local money lenders. There was a large section of the rural population which did not have access to credit largely due to their inability to meet the lending covenants of the banks or because they could not service the high rates of the money lenders. We identified this opportunity and positioned ourselves to service this population. We adopted simple and prompt loan approval and documentation procedures and set our offer rates between those of the banks and the money lenders. Over the last 12 years of operations, we have gained significant experience of the local characteristics of the rural and semi-urban markets across India. In addition, the markets we serve are largely cash driven and we understand the challenges and limitations of rural infrastructure and have created processes/systems to overcome such limitations and challenges. For example, our field executives collect cash at the customer's premises saving them the need to travel to one of our branches or a bank. These visits also enable us to develop our customer relationships and importantly allow us to understand their businesses. This understanding enables us to be proactive and develop future products for our customers. Our nationwide network, locally recruited employees, regular visits and our close relationship with the dealers enables us to understand the needs of our customers. We believe that due to our early entry, our client relationships and our relationship with M&M, we have built a recognisable brand in the rural and semi-urban markets of India.

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Our relationship with M&M

We were originally set up to provide finance to M&M dealers for purchase of M&M vehicles and tractors and M&M provided us (and continues to provide us) with capital and a ready market. We believe that we have benefited substantially from the M&M brand as well as their credit rating. We continue to be closely associated with our majority shareholder, M&M. We have also been able to draw on a range of resources from M&M such as company secretarial, legal and taxation advice as well as management support.

Our capital base

As of December 31, 2005 our capital adequacy ratio was 14.3%, as compared to the RBI requirement for NBFCs of 12%. We have made 11 rights issues and one bonus issue since our incorporation, raising total funds of Rs. 1,736.6 million. Capital is also available from internal accruals, preference share issuance and issues of subordinated debt (for example to IFC) and from other lenders. Our share capital and reserves as of December 31, 2005 were Rs. 4,026.1 million. This Issue will further enhance our capital base.

Our branch network

Our nationwide network of 295 branches as of December 31, 2005, covering 25 states and two union territories, is the largest amongst NBFCs covering rural and semi-urban areas. This network has enabled us to develop and maintain our customer relationships. We believe that our branch network enables us to service and support our existing customers from proximate locations which gives customers easy access to our services, and also enables us well to reach new customers. The broad geographic spread of the network also provides some protection against crop failures or natural calamities, which can from time to time affect parts of India.

Our association with dealers

We provide finance to customers of approximately 1,000 M&M and other dealers. Our relationship with these dealers is a critical resource in sourcing customers and in our efforts to provide customers with financial products and services suited for the rural and semi-urban markets.

Our client base

From inception to December 31, 2005, we have entered into a total of 430,300 customer contracts. The relationships which we have developed with our customers provide us with opportunities for repeat business and to cross sell our other products as well as benefit from customer referrals.

Our loan approval and administration procedures

Our experience in the rural finance market has enabled us to price our products appropriately and our relationship with dealers and customers has enabled us to develop prudent credit appraisal procedures. Our review process and the regular visits by field executives enable us to monitor and evaluate our customers' ability to repay on a regular basis. Our collection and enforcement procedures are designed to maximise recoveries following any payment default. These procedures have ensured that the eventual write-offs due to non-recovery have remained less than 2% of Average Total Assets during the last three Fiscals. As of December 31, 2005, the eventual write-offs (on annualised basis) were 1.1% of the Average Total Assets.

Our ability to borrow at competitive rates

CRISIL has assigned aa+/stable rating to our long term debt and P1+ rating to our short term debt. We have been able to reduce our Average Cost of Borrowings from 8.7% in Fiscal 2003 to 6.4% in Fiscal 2005. We believe that we have achieved this reduction in our cost of funds as a consequence of our rating and effective treasury management and innovative fund raising programs (for example our securitization program) aided by a declining interest rate environment. Although the interest rates payable by us have recently increased, in line with increases in rates in India generally, we believe we are able to borrow from a range of sources at competitive rates.

Experienced Board and executive management team

Our Board consists of 10 directors of whom 5 are board members or senior executives of M&M and 4 are independent directors from the banking and financial services background and together provide extensive automobile and financial services sector experience. The members of our executive management team have experience in financial services sector and most of the senior management team has been with us for more than 5 years.

Our Strategy

Our key strategic priorities are as follows:

Continue to maintain market position in rural and semi-urban automobile financing

We believe that the organised sector of financial services market in rural and semi-urban areas is likely to continue to experience growth. The key dimensions of our strategy are innovative products, risk adjusted pricing, customer focus, customer convenience, wide distribution, strong processes and prudent risk management.

Expand customer base

We plan to continue to expand our customer base through a combination of expanding our branch network and dealer associations, providing new products such as personal loans 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.

Diversify product portfolio

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.

Use of technology

We believe that information technology is a strategic tool for our business operations to gain competitive advantage and to improve overall productivity and efficiency of the organisation. All our technology initiatives are aimed at enhancing our service levels/customer convenience and improving loan administration and recovery while minimising costs. Our information technology strategy includes achieving connectivity with all our branches, putting in place a customer relationship management system to assist in the cross selling of our other products and services and improving credit and market risk management.

Attract and retain talented professionals

We have been successful in attracting and retaining a team of professionals with experience in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. We believe we have created the right balance of performance bonus, stock option and other economic incentives for our employees so that they will be challenged to develop business, achieve profitability targets and control risk. We will, from time to time, review our management and organisational structure to enable us to respond effectively to changes in the business environment and enhance our overall performance.

Our Business

We are one of the leading NBFCs focussed on the rural and semi-urban sector. We provide finance for UVs used both for commercial and personal purposes, tractors and cars.

We finance products that have both commercial and personal application. Commercially, UVs are used both for passenger as well as goods transport. Tractors are used for both farm and haulage applications. The loan products designed by us, both in terms of amount and tenure, are based on usage and the economic life of the vehicle. Repayments are structured to match the anticipated cash flow to be generated by the borrower, for example monthly or quarterly repayments in case of UVs and semi annual repayments in the case of tractors.

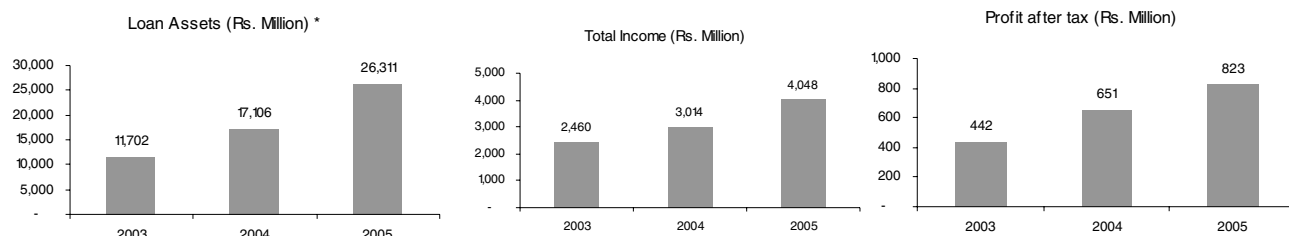
Our customers for retail loans are small entrepreneurs or self-employed individuals such as transport operators, taxi operators and agriculturists. We also provide trade finance to automobile and tractor dealers, which following the sale of a vehicle, are converted into direct retail customer loans. Our customers usually provide a 10-25% margin and the balance of the vehicle's price is financed by us. Our loans are secured by a hypothecation of the asset financed.

We believe that to operate effectively in rural and semi-urban areas, it is necessary to be familiar with the local culture, practices and environment. Accordingly, we endeavour to recruit local employees into our branches and provide them training on our tailor made training programmes. We conduct most of our business through our own field executives and branch personnel, which we believe is preferable to relying on outsourced marketing agents and sales agents.

Our business has grown over the last three years. As the following charts illustrate, our Loan Assets, total income and profit after tax grew at a compound annual growth rate of 49.9%, 28.3% and 36.5% respectively from Fiscal 2003 to Fiscal 2005.

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Further, as of December 31, 2005 our Loan Assets stood at Rs. 36,628.7 million. For the period ended December 31, 2005, our total income was Rs. 3,983.0 million and our profit after tax was Rs. 610.7 million.



* Includes loans against assets, net stock on hire and retained interest in securitization

Marketing and Distribution

Our branch network

In the three years ended March 31, 2005, we expanded our network from 195 to 255 branches. As of December 31, 2005, we had 295 branches in 25 states and two Union Territories in India.



Our business is carried out through five zonal offices, controlling 16 regional offices, which in turn control the retail branch network. Our branches are authorised to approve loans within prescribed guidelines and have the appropriate staff to process and monitor the loans made. Larger loans (for example to one customer financing a number of vehicles) need to be approved by the regional offices. Branch employees report to their respective regional offices which in turn report to their zonal office and in turn to the head office in Mumbai. A typical branch would have four to five employees, including the branch manager. As of December 31, 2005, 155 of our branches were connected to servers at our head office in Mumbai and we are continuing to increase the number of connected branches.

Our relationship with dealers

As we were originally set up to provide finance to M&M dealers we have been able to develop a close relationship with most of the M&M dealers across India. Many of M&M's dealers also sell non-M&M vehicles. We have leveraged these relationships to provide financing for non-M&M vehicles. As part of our lending operations we often provide trade advance to dealers which gets reduced as customers enter into direct contracts with us. These arrangements not only speed up the financing process but they also help us to maintain close relationships with our dealers.

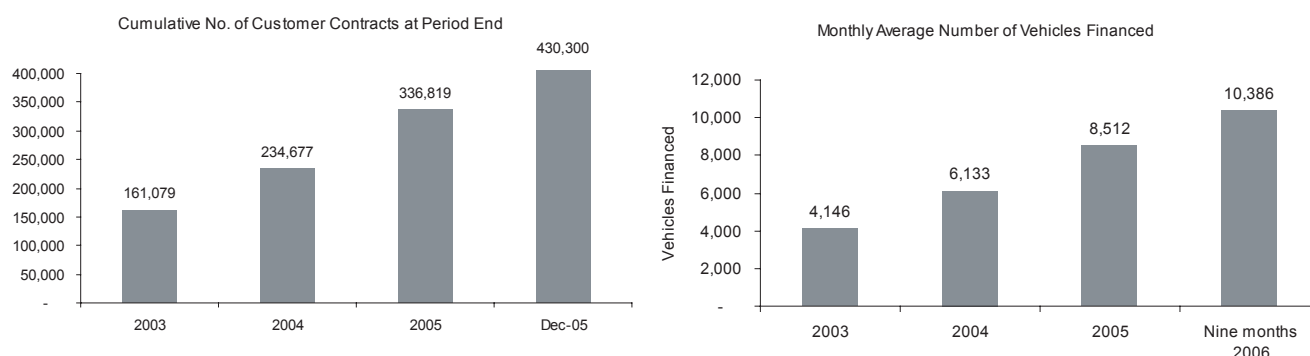
With our nationwide branch network and our understanding of rural and semi-urban customer requirements, we have been successful in establishing relationships with manufacturers and dealers of non-M&M vehicles across India. Currently we work with close to 1,000 dealers across the country, including 600 dealers of M&M vehicles and tractors. We periodically organise dealer conferences and sales meetings which provide us with feedback in relation to customer requirements and market trends.

Branding/ advertising

We use the brand name "Mahindra Finance" for marketing our products and have applied for registration of this trademark. Our brand is well-recognised in India given its association with the brand of our promoter M&M and our own efforts of brand promotion. We have recently launched an advertising campaign through electronic and print media to create awareness of our product features, including our speedy application approval process with the intention of creating and enhancing our own distinct brand identity. We also intend to have a similar distinctive décor at all our regional offices and work on redecoration has commenced in certain regional offices. We believe that our increased emphasis on brand promotion will be a significant contributor to our results of operations in future.

Our Client Base

Our client base is predominantly retail and our customers for retail loans are small entrepreneurs or self-employed individuals such as transport operators, taxi operators and farmers. We also provide trade finance to automobile and tractor dealers, which are converted into retail customer contracts. Our customers usually provide 10-25% margin and the balance vehicle price is financed by us. Our loans are secured by a hypothecation of the asset financed.



Note: The cumulative number of customer contracts does not reflect repayments which have been made.

Our recent marketing initiatives include:

- extension of associations with other vehicle manufacturers including Maruti, Hyundai, Toyota, Tata Motors, General Motors and Ford and their dealers.
- participation in regional melas (fairs) such as the Gwalior Mela and Pushkar Mela, where we provide special financing products for the period of the fair and at which local governments may also provide sales tax concessions and some manufactures may offer incentives such as price discounts, vehicle exchange programmes and free servicing.
- a marketing arrangement with HPCL, which currently owns or franchises over 6,000 petrol stations across India, pursuant to which we will distribute our products to rural customers and service our new and existing customers.

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Our Operations

We follow clearly defined procedures for evaluating the credit worthiness of customers. The typical credit appraisal process adopted is as follows:

Initial Evaluation

Once a customer has been identified and has completed an application, the relevant field executives is required to obtain information in relation to the customer such as his background, earning potential, loan being sought and the proposed usage of the vehicle being financed. The field executive is required to make a recommendation as to whether the loan should be approved or not. In respect of existing customers who are seeking a new loan or refinancing, the field executive would also check the track record of the customer prior to making a recommendation. The recommendation of the field executive is forwarded to the branch manager.

Approval

The branch manager decides on the proposal received from the field executives. In evaluating the customer, apart from the ability to repay (which is the main criteria), he takes into consideration other factors such as permanency of residence, past repayment record, income from other sources, entrepreneurial attitude, physical verification of the asset to be purchased and operational viability of the proposed business. At this stage, we also undertake Know Your Customer ("KYC") procedures as prescribed by RBI.

The funds are advanced after this due process of evaluation and upon providing the necessary documentation. Our objective is to ensure appraisal and disbursement within the shortest possible time, without compromising on quality. On average, loans are approved within 3 days of an application being received.

The trade advance that we provide to authorised dealers of vehicles particularly UVs, tractors and cars are converted into loans to the customers purchasing these vehicles and tractors. The criteria for such trade advances to dealers would include background checks with the vehicle manufacturer, credit history, business volumes and seasonality.

The maximum loan approval limits for retail loans are fixed by reference to the type of customer and model of vehicle or tractor. Loans in excess of the specified limits are referred to the regional office. The limits on trade advance provided to dealers are fixed at our head office.

Loan administration and monitoring

We give our customers three payment options - cash, cheque or demand drafts. Repayments are mostly made in monthly, quarterly or semi-annual instalments, based on customer requirements. Loans disbursed are recovered from the customer in accordance with the loan terms and conditions agreed with the customer. As a service to our customers our field executives offer to visit the customers on the payment date to collect the instalments due. We track loan repayment schedules of our customers, on a monthly basis, based on the outstanding tenure of the loans, the number of instalments due and defaults committed, if any. This data is analysed based on the vehicles financed and location of the customer.

Our MIS department and centralised operating team monitors compliance with the terms and conditions for credit facilities. We monitor the completeness of documentation, creation of security etc. through regular visits to the branches by our regional as well as head office executives and internal auditors. All borrower accounts are reviewed at least once a year. We monitor the larger exposures and non-paying borrowers more frequently.

Loan Recovery

In case of default, the reasons for the default are identified by the local field executive and appropriate action is initiated such as requiring partial repayment and/or seeking additional guarantees or collateral.

In addition to our own collection teams, we also make use of external collection agencies to aid us in collection efforts, including collateral (UVs, tractors and cars) repossession. In the event we view a default as being of a serious nature we initiate the process for repossession of the vehicle or tractor. Once the vehicle has been repossessed, a written intimation is given to the local police and notice is served on the customer and any guarantor.

Repossessed vehicles are held at designated secured facilities. The notice to the customer specifies the outstanding amount to be paid within a specified period, failing which the vehicle may be disposed of through auction. In the event there is a short fall in the recovery of the outstanding amount from the sale of the vehicle, legal proceedings against the customer may

be initiated. Our loan asset reconstruction department co-ordinates with our legal team and external lawyers to initiate and monitor legal proceedings wherever appropriate.

Asset Quality

The Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Prudential Norms Directions") prescribed by the RBI require us to observe the norms on classification of our assets, treatment of a NPA and provisioning against the NPA. For detail on Prudential Norms Directions please see the section titled "Regulations and Policies" on page 58 of this Prospectus.

Asset Classification

Set out below are the RBI Guidelines for asset classification:

Asset classification	The RBI Guidelines
Standard Assets	An asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business
Sub-standard Assets	An asset has been an NPA for a period not exceeding 18 months or where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled terms
Doubtful Assets	An asset which remains a sub-standard asset for a period exceeding 18 months
Loss Assets	An asset which has been identified as loss asset by the NBFC or its internal or external auditor or by the RBI during the inspection of the NBFC, to the extent that it is not written off by the NBFC; and (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower

The following table sets forth data regarding the classification of our credit exposure (net of write-offs and unpaid interest on NPAs).

	As at March 31, 2003		As at March 31, 2004		As at March 31, 2005		As at September 30, 2005	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Standard	13,189.2	95.9	17,675.4	95.6	27,905.1	96.1	33,656.4	94.6
Non-Performing assets								
Of which:								
Sub-standard	538.5	3.9	756.7	4.1	1,066.6	3.7	1836.8	5.2
Doubtful assets	29.5	0.2	57.1	0.3	68.5	0.2	83.5	0.2
Loss assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	13,757.2	100.0	18,489.2	100.0	29,040.2	100.0	35,576.7	100.0

Note: The above figures pertaining to NPAs are including securitized assets.

Provisioning and Write-offs

Statutory provisions are required to be made in respect of sub-standard, doubtful and loss assets as per RBI directives. Our Audit Committee has approved a policy for making provisions against loans in default faster than that prescribed by RBI and we may make further provisions if we determine that it is prudent for a known and identified risk. Based on our policy our provisions as of December 31, 2005 stood at Rs. 1,462.8 million as compared to the RBI required provision of Rs. 936.8 million.

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Given below is a description of the RBI Guidelines on provisioning and write-offs:

Loans, advances and other credit facilities including bills purchased and discounted

The provisioning requirement (as per RBI Guidelines) in respect of loans advances and other credit facilities including bills purchased and discounted is as follows:

- Loss assets: The entire asset is required to be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding assets should be provided for;
- Doubtful assets: (a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which the NBFC has a valid recourse is required to be made. The realizable value is to be estimated on a realistic basis; (b) In addition, to item (a) above, depending upon the period for which the asset has remained doubtful, provision is required to be made as follows:
 - o If the asset has been considered doubtful for up to one year, provision to the extent of 20% of the secured portion is required to be made;
 - o If the asset has been considered doubtful for one to three years, provision to the extent of 30% of the secured portion is required to be made;
 - o and if the asset has been considered doubtful for more than three years, provision to the extent of 50% of the secured portion is required to be made.
- Sub-standard assets: A general provision of 10% of the total outstanding assets is required to be made.

Lease and hire purchase assets

In respect of hire purchase assets, the total dues (overdues and future installments taken together) as reduced by, (a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and (b) the depreciated value of the underlying asset, is required to be provided for.

For the purpose of the above, i) the depreciated values of the asset shall be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of 20% per annum on a straight line method; and ii) in the case of second hand asset, the original cost shall be the actual cost incurred for acquisition of the second hand asset.

In addition, in respect of leased and hire purchase asset, following provisions are required to be made:

- where the amount of hire charges or lease rentals is overdue for less than 12 months, no provision is required to be made;
 - o sub-standard assets: where any amount of hire charges or lease rentals are over due for 12 months to 18 months, 10% of the net book value;
 - o doubtful assets: where any amount of hire charges or lease rentals are overdue for more than 18 months but up to 36 months, 40% of the net book value; and
 - o where such amount of hire charges or lease rentals are overdue for more than 36 months but up to 48 months, 70% of the net book value;
- loss assets: where any amount of hire charges or lease rentals are overdue for more than 48 months, 100% of the net book value .
- On expiry of a period of 12 months after the due date of the last installment of hire purchase/ leased asset, the entire net book value is required to be fully provided for.

NPAs

The following table sets forth, at the dates indicated, data regarding our NPAs:

Fiscal	Gross NPA (Rs. million)	Net NPA (Rs. million)	Total Assets (Rs. million)	% of Net NPA to Total Assets
Fiscal 2003	1,090.1	411.5	14,538.5	2.8%
Fiscal 2004	1,555.9	743.4	20,332.9	3.7%
Fiscal 2005	1,991.6	1,007.7	31,121.7	3.2%
December 31, 2004	2,492.4	1,348.7	30,005.2	4.5%
December 31, 2005	2,969.2	1,583.9	43,358.8	3.7%

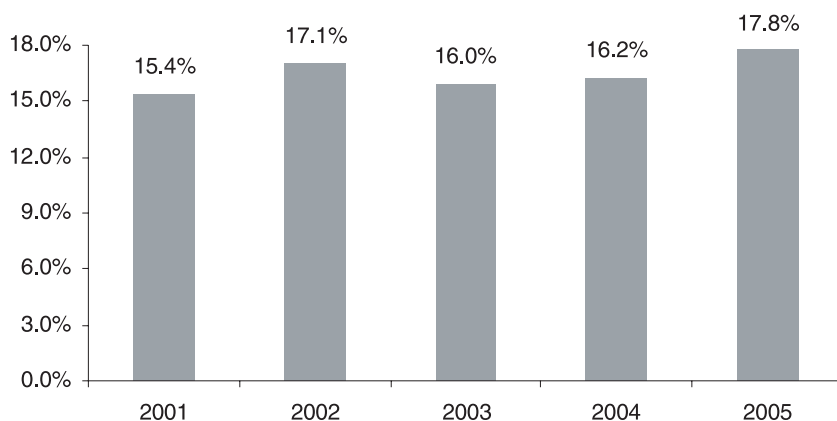
Note: The above figures are excluding securitized assets.

Our Net NPAs as a percentage of our Total Assets was 3.2% in Fiscal 2005 and 3.7% in Fiscal 2004. However, our eventual write-offs, after all of our recovery procedures have been followed (but before legal proceedings have been completed), amounted to 1.6% of our Average Total Assets in Fiscal 2005 and 1.8% in Fiscal 2004. We believe that our eventual write-offs are relatively low because of our prudent loan approval processes and our ability to repossess and dispose of assets in a timely manner.

Our Capital Adequacy Ratio

We are subject to the capital adequacy requirements of the RBI. We are required to maintain a minimum ratio of 12% as prescribed under RBI guidelines based on total capital to risk weighted assets. We currently maintain a capital adequacy ratio above the minimum prescribed by RBI.

We had a capital adequacy ratio of 14.3% as of December 31, 2005. The following graph sets out our capital adequacy ratios as of March 31 for the last five Fiscals:



Our Treasury Operations

Our treasury operations are mainly focused on meeting our funding requirements and managing short term surpluses. Our fund requirements are currently predominantly sourced by issue of secured and unsecured debentures to banks, financial institutions and mutual funds. Our long-term debentures are credit rated and listed on the BSE. We also place commercial paper and securitize part of our loan portfolio. We have also raised subordinated loans eligible for Tier II capital including a rupee subordinated loan from IFC, Washington. IFC has also provided us with a senior long-term loan of Rs.490 million. We believe that through our treasury operations, we maintain our ability to repay borrowings as they mature and obtain new loans at competitive rates.

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Our treasury department undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the RBI requirement of Asset Liability Management. The objective is to ensure the smooth functioning of all our branches and at the same time avoid the holding of excessive cash. Our treasury maintains a balance between interest-earning liquid assets and cash to optimise earnings

Our treasury department also manages the collection and disbursement activities from our head office in Mumbai. We actively manage our cash and funds flow using various cash management services provided by banks. As part of our treasury activities, we also invest our surplus fund in fixed deposits with banks, liquid debt-based mutual funds and government securities. Our investments are made in accordance with the investment policy approved by the Board.

Our investments are predominantly in liquid mutual funds and government securities, as summarised in the table below.

	March 31, 2004		March 31, 2005		December 31, 2005	
	Rs. in million	%	Rs. in million	%	Rs. in million	%
Mutual funds	-	-	310.0	85.5	40.0	53.9
Govt. Securities	53.4	100.0	52.7	14.5	34.2	46.1
Total	53.4	100.0	362.7	100.0	74.2	100.0

Funding

Below are the primary categories of our outstanding obligations as of March 31, 2004, March 31, 2005 and December 31, 2005.

	March 31, 2004		March 31, 2005		December 31, 2005	
	Rs. in million	%	Rs. in million	%	Rs. in million	%
Long-term funds¹						
Subordinated debt	890.0	5.7	1,690.0	6.9	2,190.0	6.1
Debentures	7,360.0	46.9	11,350.0	46.2	15,840.0	44.0
Term loans from banks	0.0	0.0	2,540.0	10.4	2950.0	8.2
Fixed Deposit	208.4	1.3	125.6	0.5	50.3	0.1
FCNR Loan	494.4	3.1	494.4	2.0	0.0	0.0
Term loans from others	441.0	2.8	392.0	1.6	367.5	1.0
Short-term funds²						
Cash Credit	438.5	2.8	810.0	3.3	843.5	2.3
Debentures	3,150.0	20.0	5,560.0	22.7	8,200.0	22.8
Commercial paper	100.0	0.6	500.0	2.0	2,750.0	7.6
Term loans from banks	2,301.0	14.7	840.0	3.4	2,140.0	5.9
Fixed Deposit	152.0	1.0	167.8	0.7	114.3	0.3
FCNR Loan	100.3	0.6	0.0	0.0	494.4	1.4
Loans from others	79.1	0.5	72.1	0.3	77.9	0.2
Total	15,714.7	100.0	24,541.9	100.0	36,017.9	100.00

¹ Funds with balance maturity greater than 1 year as of that date

² Funds maturing within one year

Note: This does not include 6.9% preference shares of Rs. 500 million
Our bonds are rated "AA+/Stable" by CRISIL and "AA+(ind) Stable" by Fitch.

Set out below is our Average Cost of Borrowing for the last three fiscal years.

	Average Cost of Borrowing
Fiscal 2003	8.7%
Fiscal 2004	6.9%
Fiscal 2005	6.4%

Our strategy is to raise funds from diversified sources and through a wide range of instruments including non-convertible debentures, commercial paper, indexed-linked debentures, foreign currency loans, variable rate securities and securitization. All of our foreign currency exposure is hedged and our treasury department along with our asset-liability management department actively manages our interest rate and liquidity risk.

We undertake non-recourse securitization transactions to increase our capital adequacy ratio and increase the efficiency of our loan portfolio. Our non-recourse securitization transactions involve provision of additional collateral and cash deposits or bank/ corporate guarantee. We carried out our first securitization transaction of Rs. 434.8 million in February 2002 and since then we have completed 12 more transactions with an aggregate value of Rs. 11,843.3 million. Each securitization transaction is over-collateralised with cash deposits (or bank guarantees) and additional loan assets. Although we are not required by regulation to provide for NPAs on the securitized assets, because of the over-collateralisation we provide, we make provision for loan losses on the securitized portfolio, less the collateral at the time of securitizing the portfolio. To the extent that these provisions are not required they are written back to our profit and loss account at the maturity of the relevant securitization. We continue to provide administration services for the securitized portfolio, the expenses for which are provided for at the outset of each transaction. The gains arising out of securitization, which vary according to a number of factors such as the tenor of the securitized portfolio, the yield on the portfolio securitized and the discounting rate applied, are treated as income.

Risk Management

Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that we follow the policies and procedures to address these risks.

We are primarily exposed to credit risk, interest rate risk, liquidity risk and operational risk. Internally, we have identified an eight member team of professionals who are functional heads, to manage these risks. This team identifies, assesses and monitors all of our principal risks in accordance with defined policies and procedures. Our Chief Financial Officer heads this team.

Our Audit Committee oversees our risk management policies and procedures. The Audit Committee reviews the credit risk while the Asset Liability Management Committee reviews risk management policies in relation to various risks including liquidity, interest rate, investment policies and strategy, and regulatory and compliance issues in relation thereto and reviewing the asset-liability position to manage our liquidity and market risk exposure.

We have appointed a number of audit firms across the country to review and audit our branch operations and their audit reports are reviewed by the Audit Committee of the Board. Policy/Process corrections are undertaken based on input from these auditors.

Credit Risk

Credit risk is the risk of loss that may occur from the default by our customers under the loan agreements with us. As referred to above, we have a credit approval process, which includes a proposal evaluation and investigation procedure for credit appraisal. Our credit approval policy is approved by the Audit Committee of the Board. We manage our credit risk by evaluating the creditworthiness of our customers, carrying out cash flow analysis, setting credit limits and obtaining collateral. Actual credit exposures and credit limits and asset quality are regularly monitored at various levels.

Interest Rate Risk

Since our balance sheet consists of rupee assets and predominantly rupee liabilities, movements in domestic interest rates constitute the main source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. An asset liability management policy, which has been approved and adopted by the ALCO, sets forth the broad guidelines for asset liability management. The ALM function categorizes all rate sensitive assets and liabilities into various time period categories according to interest rate sensitivity. For example, floating rate liabilities

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with daily MIBOR rate reset are categorised in the “up to one month” bucket although they might have a longer contractual residual maturity. We follow RBI guidelines for asset liability management.

All our loans carry fixed rate of interest. As of December 31, 2005, approximately 80% of our total borrowing is on a fixed rate basis and 20% is on a floating rate basis. Therefore, changes in interest rates may impact our net income either positively or negatively. We rely on external and internal feedback on the interest rate environment in India and monitor our liquidity position in the market and, on a monthly basis, review the interest rate and liquidity gap positions on our balance sheet, formulate a view on interest rates, set our benchmark lending rates, review the business profile and its impact on asset liability management and determine the asset liability management strategy, as deemed appropriate.

Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity. An interest rate sensitivity report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing date as appropriate for reporting on a half yearly basis to ALCO committee and the RBI. The difference between the amounts of assets and liabilities maturing in any time period category provides a measure of the extent to which we are exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities.

Liquidity risk

Liquidity risk arises due to non-availability of adequate funds or non-availability of adequate funds at an appropriate price, or of appropriate tenure, to meet our business requirements. This risk is minimised through a mix of strategies, including asset securitisation and temporary asset liability gap.

We also monitor liquidity risk through our ALM function with the help of liquidity gap reports. This involves the categorisation of all assets and liabilities in different maturity profiles, and evaluating them for any mismatches in any particular maturities, especially in the short-term. The ALM Policy has capped the maximum mismatches in the various maturities in line with RBI guidelines and ALCO guidelines.

To manage short term funding arrangements we borrow from working capital lines provided by banks, we also borrow from mutual funds by issuing short term instruments maturing up to 364 days. We also borrow from corporates through inter-corporate deposits.

We are also required to submit Monetary and Supervisory Return (NBS5) on quarterly basis to RBI.

The following table sets out a summary of our asset liability maturity profile derived from our RBI report furnished on a half yearly basis and based on certain estimates, assumptions and our prior experience of the performance of our assets:

Estimated Statement of Structural Liquidity as on September 30, 2005

(Rs. in million)

	Up to 1 month	Over 1 month & up to 1 year	Over 1 & up to 3 years	Over 3 & up to 5 years	Over 5 years	Total
Liabilities/ Outflow						
Equity Capital					701.6	701.6
Preference Shares			500.0			500.0
Reserves and Surplus					3,303.8	3,303.8
Borrowings	2,067.5	5,419.7	22,413.1	1,300.0	500.0	31,700.3
Current Liabilities and Provisions	1,262.0	1,000.7	285.4	18.0	16.6	2,582.7
Unutilised bank lines			2,300.0			2,300.0
Total	3,329.5	6,420.4	25,498.5	1,318.0	4,522.0	41,088.4

(Rs. in million)

	Up to 1 month	Over 1 month & up to 1 year	Over 1 & up to 3 years	Over 3 & up to 5 years	Over 5 years	Total
Assets/ Inflow						
Owned Assets	17.8				184.6	202.3
Investment	930.3	34.2			5.5	970.0
Cash & Bank Balance	1,195.2	378.5	0.4			1574.1
Inflow from loans and advances	2,311.2	12,448.1	14,772.5	3,197.6	2,213.5	34,942.8
Other assets	255.9	239.6	166.2	7.2	430.1	1,099.1
Unutilised bank lines	2,300.0					2,300.0
Total	7,010.4	13,100.4	14,939.1	3,204.8	2,833.7	41,088.4
Surplus/(Deficit)	3,680.9	6,680.0	(10,559.4)	1,886.8	(1,688.3)	0.0
Cumulative Surplus/(Deficit)	3,680.9	10,360.9	(198.5)	1,688.3	0.0	

Assumptions

- (1) Bank borrowings mature in 1 to 3 year bucket as the same is normally renewed on maturity. In addition banks allow its funds to be deployed on lease/HP/loan assets which are for a period of 1 to 3 years. These 1 to 3 year assets are lodged as security and hypothecated to consortium banks.
- (2) If in case of any borrowing, the company has an option to extend the maturity for a further period, it is assumed that the option is exercised
- (3) Interest accrued but not due on fixed deposit is based on maturity profile of the fixed deposit.
- (4) Maturity of contingent liabilities has not been estimated as they may or may not crystallize.
- (5) Non NPA debtors are assumed to be recovered equally within a period of 6 months.
- (6) Future receivable pertaining to NPA assets is equally subtracted from loan receivables assuming balance period of 18 months and the same is shown as maturing after 5 years.
- (7) NPAs, net of NPA provision to mature after 5 years.
- (8) Deferred tax asset to mature after 5 years.
- (9) Unutilised bank lines can be accessed as and when required so as to bridge excess of outflow over inflow, if any.
- (10) The unutilised limit with the banks as on September 30, 2005 is estimated at Rs. 2,300 million after considering cash credit balance as per books of accounts.

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people and systems or from external events. As one of the features of our nationwide retail lending operations, we offer speedy loan approval process and therefore have adopted decentralised loan approval systems. In order to control our operational risks, we have adopted clearly defined loan approval processes and procedures. We also attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking contingency planning. In addition, we have appointed local audit firms to conduct internal audits at a number of our branches to assess adequacy of and compliance with our internal controls, procedures, and processes. As of December 31, 2005, around 127 of the 295 branches, were covered by our internal audit. The balance branches are proposed to be covered over a period of time. Reports of the internal auditors as well as the action taken on the matters reported upon are discussed and reviewed at the Audit Committee meetings.

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Technology

We use information technology as a strategic tool for our business operations to improve our overall productivity and efficiency. We believe that through our information systems currently in place, we are able to manage our nationwide operations efficiently, market effectively to our target customers, and effectively monitor and control risks.

Our branch network is spread across 295 locations as of December 31, 2005. 155 of these branches are connected to the servers at our head office in Mumbai and we are continuing to increase the number of connected branches. The production server also enables us to conduct a daily automated backup process. We are planning to set up a separate disaster recovery data centre in a city other than Mumbai which would be connected to the main data centre at Mumbai.

Competition

Our primary competitors are public sector banks, private banks (including foreign banks), co-operative banks, regional rural banks and NBFCs.

We are exposed to the risk of banks expanding their operations into the retail vehicle financing in rural and semi-urban markets resulting in higher competition and lower spreads. Increasing competition from banks in rural and semi-urban India has resulted in a downward pressure on our interest margins. However, we believe that our relationships with manufacturers (particularly M&M), our knowledge of the rural and semi-urban market, existing customer base, the continued expansion of our branch network and our dealer relationships coupled with our proactive approach in providing flexible loan products and speedy service will enable us to remain competitive. Competition in our industry is expected to continue.

Employees

As of December 31, 2005 we had 2,322 employees.

We organise extensive training programmes for our employees at various levels. Our branch heads are authorised to take lending decisions and are fully accountable for their actions.

Our key managerial personnel have been with us for five years on an average and our regional managers have been with us for six years on an average.

We have a performance based appraisal and remuneration system to compensate and reward our employees. Regular feedback is given to employees on their performance based on a half yearly appraisal process. In addition, employees are also encouraged and are offered financial assistance to pursue higher studies.

We have also introduced an ESOS whereby stock options have been granted to all our eligible employees and certain eligible employees of M&M and MIBL. The ESOS is regulated by an ESOS Trust. We believe that our ESOS will act as an important tool in employee retention and motivation. For further details, please refer to section titled "Capital Structure" on page 16 of this Prospectus.

We participate in the M&M Group's 'Talent Management And Retention' process which has been formulated by M&M. This program is developed to identify, assess and acquire talent. We believe that this is a tool that assists our employees in planning their individual growth within our Company and the M&M Group. The senior management employees of the M&M Group are divided across sectors and functions to head functional councils. These councils in turn identify employees from within the M&M Group who have a track record of high performance and potential to progress within the M&M Group.

Properties

Our registered office is located at Gateway Building, Apollo Bunder, Mumbai 400001, Maharashtra, India. Our corporate office is located at Sadhana House, 2nd floor behind Mahindra Towers, 570 P.B. Marg, Worli, Mumbai 400018, Maharashtra, India.

We have a network consisting of 295 branches located through out India as of December 31, 2005 and 16 regional offices. Except three of our regional offices at Pune, Jaipur and Aurangabad, which are located in properties owned by us, our other branches, corporate office and the registered office are located at premises leased/ licensed by us. All of our owned properties are free from encumbrances and have clear title except our property at Aurangabad, which is under mortgage for secured non-convertible debentures issued by us.

Insurance

We have taken a corporate cover policy including a fidelity guarantee policy, standard fire and special perils, burglary cover etc. in respect of branches across India. The total sum insured is Rs. 172 million.

We have obtained insurance in respect of our corporate office located at Sadhana House, Worli, Mumbai. The total sum insured is Rs. 30 million.

We also have a money insurance policy in respect of cash in safe and in transit. The policy limit in respect of money in transit between our branch offices and the bank is Rs. 10 million and in respect of cash in safe is Rs. 50 million.

In addition, our directors are insured under directors and officers' liability insurance policy for M&M Group. The limit of liability for each loss is Rs. 50 million.

REGULATIONS AND POLICIES

We are an NBFC eligible to accept public deposits and are sub-classified as a hire purchase and leasing company. Our business activities are governed by the RBI regulations applicable to deposit accepting NBFCs.

Following are the significant regulations that affect our operations:

Regulations issued by the RBI*Capital Adequacy requirements*

On and from March 31, 1999, every NBFC is required to maintain a minimum capital ratio, consisting of Tier I and Tier II capital, of 12%, of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items. Further the total of Tier II capital, at any point of time, shall not exceed 100% of Tier I capital

- Tier – I Capital means, owned funds as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund.
- Owned Funds means, Paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account; capital reserve representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of assets; less accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.
- Tier – II Capital means to include the following a) preference shares other than those which are compulsorily convertible into equity; b) revaluation reserves at discounted rate of 55%; c) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one-and-one-fourth per cent of risk weighted assets; d) hybrid debt capital instruments; and d) subordinated debt, to the extent the aggregate does not exceed Tier-I capital.
- Hybrid debt means, capital instrument, which possess certain characteristics of equity as well as debt.
- Subordinated debt means a fully paid up capital instrument, which is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or the without the consent of the supervisory authority of NBFC authority. The book value of such instrument is subjected to discounting as prescribed.

Prudential Norms for Asset Classification

The Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Prudential Norms Directions") specify that every NBFC shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realization, classify its lease/ hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:

- Standard asset, i.e., the asset in respect of which no default in repayment of principal or payment of interest is perceived and which do not disclose any problem nor carry more than normal risk attached to the business;
- Sub-standard asset, i.e., an asset has been an NPA for a period not exceeding 18 months or where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled terms;
- Doubtful asset, i.e., an asset which remains a sub-standard asset for a period exceeding 18 months;
- Loss asset, i.e., an asset which has been identified as loss asset by the NBFC or its internal or external auditor or by the RBI during the inspection of the NBFC, to the extent that it is not written off by the NBFC; and (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

An asset is classified as a non performing asset when:

- (a) an asset, in respect of which, interest has remained overdue for a period of six months or more;
- (b) a term loan inclusive of unpaid interest, when the installment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
- (c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
- (d) a bill which remains overdue for a period of six months or more;
- (e) the interest in respect of a debt or the income on receivables, under the head 'other current assets' in the nature of short term loans/ advances, which facility remained over due for a period of six months or more;
- (f) any dues on account sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
- (g) the lease rental and hire purchase installment, which has become overdue for a period of twelve months or more;
- (h) in respect of loan, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities become non performing asset;

In the case of lease and hire purchase transaction, an NBFC may classify each such account on the basis of its record of recovery.

The Prudential Norms Directions also require every NBFC to make provisions against sub-standard assets, doubtful assets and loss assets, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realization of the security and the erosion over time in the value of security charged. Such provisions are required to be made as provided below:

Loans advances and other credit facilities including bills purchased and discounted

The provisioning requirement in respect of loans advances and other credit facilities including bills purchased and discounted is as under:

- Loss assets: The entire asset is required to be written off if the assets are permitted to remain in the books for any reason, 100% of the outstandings should be provided for;
- Doubtful assets: (a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which the NBFC has a valid recourse is required to be made. The realizable value is to be made estimated on a realistic basis; (b) In addition, to item a) above, depending on the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated releasable value of the outstanding) is required to be made as follows. Accordingly, if the asset has been considered doubtful for up to one year, provision to the extent of 20% of the secured portion is required to be made; if the asset has been considered doubtful for one to three years, provision to the extent of 30% of the secured portion is required to be made; and if the asset has been considered doubtful for more than three years, provision to the extent of 50% of the secured portion is required to be made.
- Sub-standard assets: A general provision of 10% of the total outstanding is required to be made.

Lease and hire purchase assets

In respect of hire purchase assets, the total dues (overdues and future installments taken together) as reduced by, (a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and (b) the depreciated value of the underlying asset, is required to be provided for.

For the purpose of the above, i) the depreciated values of the asset shall be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of 20% per annum on a straight line method and ii) in the case of second hand asset, the original cost shall be the actual cost incurred for acquisition of the second hand asset.

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In addition, in respect of leased and hire purchase asset, following provisions are required to be made;

- where the amount of hire charges or lease rentals is overdue for less than 12 months, no provision is required to be made;
- sub-standard assets: where any amount of hire charges or lease rentals are over due for 12 months to 18 months, 10% of the net book value;
- doubtful assets: where any amount of hire charges or lease rentals are overdue for more than 18 months but up to 36 months, 40% of the net book value; and
- where such amount of hire charges or lease rentals are overdue for more than 36 months but up to 48 months, 70% of the net book value;
- loss assets: where any amount of hire charges or lease rentals are overdue for more than 48 months, 100% of the net book value .
- On expiry of a period of 12 months after the due date of the last installment of hire purchase/leased asset, the entire net book value is required to be fully provided for.

Asset Liability Management

The RBI has prescribed the Guidelines for Asset – Liability Management (“ALM”) System in NBFCs (“ALM Guidelines”) that are applicable to all NBFCs meeting the criteria of asset base of Rs. 1 billion or more or holding public deposits of Rs. 200 million or more. The ALM system resets on the functioning of ALM information systems within the NBFC, ALM organization including Asset Liability Committee (“ALCO”) and ALM support groups, and the ALM process including liquidity risk management, management of marketing risk, funding and capital planning, profit planning and growth projection, and forecasting/ preparation of contingency plans. It is provided that the management committee of the Board of Directors or any other specific committee should oversee the implementation of the system and review its functioning periodically.

In case of structural liquidity, the negative gap (i.e. where outflows exceed inflows) in the 1 to 30/31 days (one month) time-bucket should not exceed the prudential limit of 15% of outflows of each time-bucket and the cumulative gap up to one year period should not exceed 15% of the cumulative cash outflows up to one year period. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit, should be shown by a footnote in the relevant statement.

Maintenance of liquid assets

The RBI has prescribed guidelines directing every NBFC to invest and continue to invest in unencumbered approved securities valued at the price not exceeding the current market price of such securities an amount which shall, at the close of business on any day be not less than ten percent in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, and the aggregate of which shall not be less than 15% of the public deposit outstanding at the last working day of the second preceding quarter.

Acceptance of deposits

The RBI has prescribed the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 (“Public Deposit Directions”) which regulate the acceptance of deposits by NBFCs. The Public Deposit Directions make provisions, inter alia, in respect of the credit ratings, period, quantum and rate of interest for such public deposits.

According to the Public Deposit Directions, a hire purchase finance company (i) having Net Owned Fund (“NOF”) of Rs. 2.5 million or more, and (ii) complying with all the prudential norms with capital adequacy ratio of not less than 15% as per the last audited balance sheet, may accept, or renew public deposit, together with the amounts remaining outstanding in the books of the company as on the date of acceptance or renewal of such deposit, not exceeding one and a half times of its NOF or public deposit up to Rs. 100 million, whichever is lower. Similarly, a hire purchase finance company (i) having NOF of Rs. 2.5 million or more, (ii) complying with all the prudential norms, and (iii) having minimum investment grade credit rating, may accept or renew public deposit, together with the amounts remaining outstanding in the books of the company as on the date of acceptance or renewal of such deposits, not exceeding four times of its NOF.

The acceptance of deposit by an NBFC, in relation to its tenure and the rate of interest thereon is also regulated. The deposit accepted or renewed cannot be repayable on demand nor the tenure of deposit be less than 12 months nor more than 60

months. Further on and from March 2003, the rate of interest cannot exceed 11%. In line with RBI suggestion regarding acceptance of public deposits by NBFCs, the Company stopped accepting public deposits with effect from April 1, 2005.

Payment of brokerage by NBFC to its agents is regulated. An NBFC cannot pay to its broker on public deposit collected by or through him, brokerage, commission, incentive or any other benefit by what ever name called, in excess of 2% of the deposit so collected and expenses by way of reimbursement on the basis of relative bills produced by him in excess of 0.5% of the deposit so collected.

Supervision by the RBI

Under the provisions of the Reserve Bank of India (Non Banking Financial Companies) Returns Specifications 1997, every NBFC is required to submit certain returns containing specific information to the RBI on a quarterly, half yearly and on an annual basis, in the format prescribed by the RBI. Further under section 45N of the Reserve Bank of India Act, 1934, the RBI may cause an inspection to be made of any NBFC if it considers it necessary or expedient.

KYC obligations

The RBI has extended the Know Your Customer ("KYC") guidelines to NBFCs and advised all NBFCs to adopt the same with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework on KYC and Anti-Money Laundering measures is put in place. The KYC policies are required to have the following key elements, namely, customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence of KYC guidelines by the persons authorized by NBFCs' including brokers/ agents, due diligence of persons authorized by NBFCs' including brokers/ agents, customer service in terms of identifiable contact with persons authorized by NBFCs' including brokers/ agents.

RBI Guidelines on Securitization of Assets

The RBI has issued guidelines effective February 1, 2006 for regulating securitization of standard assets by NBFCs. NBFCs are required to follow these guidelines for all future securitization transactions for sale of assets to a special purpose vehicle. For all transactions completed prior to February 1, 2006, RBI will take a view on the treatment of such transactions on a case by case basis.

- **Applicable Foreign Direct Investment Regime**

Under the guidelines prescribed by GoI, foreign direct investment in non banking financial sector companies such as ours, comes within the automatic route subject to compliance by the relevant NBFC with applicable guidelines. Under the Foreign Policy Manual, the minimum capitalization norms have been prescribed as follows:

- If foreign direct investment is less than 51%, US\$ 0.5 million to be brought in upfront;
- If foreign direct investment is more than 51% and up to 75%, US\$ 5 million to be brought in upfront; and
- If foreign direct investment is more than 75% and up to 100%, US\$ 50 million, of which US\$ 7.5 million to be brought in upfront and the balance in 24 months.

Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of Indian entities, subject to bringing in US\$ 50 million.

- **Shops and Establishments Acts**

The Company is governed by the Shops and Establishments Acts as applicable in the various States where it has branches. These Acts regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of, inter alia, registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

- **Employment Related Regulations**

The Company is governed by the provisions of the Employees' Provident Funds Act, 1952 and the rules made thereunder and is accordingly required to make periodic contributions to the Employees' Provident Fund Scheme and the Employees' Pension Scheme as applicable. The Company is also required to make contributions under the Employees' State Insurance Act, 1948.

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The Company engages the services of various contractors for different activities such as office cleaning, driving, data entry operations etc on temporary basis. These contractors in turn employ contract labour whose number exceeds twenty in respect of some of the branches. Accordingly, the Company is regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, which requires the Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour. For details of the Company's registration under the Contract Labour (Regulation and Abolition) Act, please refer to the section titled "Regulatory and Other Approvals" on page 234 of this Prospectus.

- **Fiscal regulations**

In accordance with the I.T. Act, any income earned by way of profits by a company incorporated in India is subject to tax levied on it in accordance with the tax rate as declared as part of the annual Finance Act.

The Company, like other companies, avails of certain benefits available under the Income Tax Act, 1961. For details of the tax benefits, please refer to the section titled "Statement of Tax Benefits" on page 27 of this Prospectus.

- **Other regulations**

In addition to the above, the Company is required to comply with the provisions of the Companies Act, FEMA, service tax, various sales tax and value added tax related legislations and other applicable statutes of both state and central Government.

HISTORY AND CORPORATE MATTERS

We were incorporated on January 1, 1991 as Maxi Motors Financial Services Limited and received certificate of commencement of business on February 19, 1991. The name was changed to Mahindra & Mahindra Financial Services Limited on November 3, 1992. We are registered with the RBI as an NBFC with effect from September 4, 1998 under Section 45IA of the Reserve Bank of India Act 1934.

Key Events in our business history

Calendar Year	Event
1993	Commenced financing of M&M UVs
1995	First branch opened outside Mumbai, at Jaipur
1996	Commenced financing M&M dealers for purchase of tractors
1998	Launched pilot project for retail tractor financing
1999	Commenced tractor retail financing in rural and semi-urban areas
2001	Total Assets crossed Rs. 10 billion
2002	- Commenced financing of non-M&M vehicles - Received Tier II debt from International Finance Corporation - Our first securitisation transaction of Rs. 434.8 million
2004	- Long term credit rating of AA+/Stable - Branch opened in Port Blair - Listing of non convertible debentures on BSE on the wholesale debt market segment - Securitisation of tractor assets of Rs. 256.6 million
2005	- Tie-up with HPCL - MIBL became our wholly owned subsidiary - Commenced distribution of third party mutual funds

Our Main Objects

Our main objects as contained in our Memorandum of Association are:

The main objects of the Company to be pursued by the Company on its incorporation:

- To carry on the business of buying, selling leasing, lease broking, letting on hire, hire purchase or on easy payment system, motor vehicles, taxi cabs, mopeds, scooters, motor cycles, 3 wheelers, auto-rickshaws, automobiles, tractors commercial vehicles, vans, pickups, earth moving equipments, material handling equipments, trailers, oil rigs, coaches, garages and all other vehicles drawn by motor, steam, oil petroleum, electricity or any mechanical or other power or device, agricultural implements and machinery, airships, aeroplanes and helicopters, tools, plants, implements, utensils, apparatus and requisites and accessories, household office furniture, wireless and television receivers, telephones telex, teleprinters, computers, tabulators, addressing machines and other sophisticated office machinery or other apparatus, ships, dredgers, barges and containers and to carry on the business of hire purchase of moveable properties of any kind including machinery, plant of all kinds, to buy, sell, alter, repair, exchange and deal in and finance the sale of furniture, apparatus, machinery, materials, goods, and articles, to hire out or sell any of the same on hire purchase system and to lease or otherwise deal with them in any manner whatsoever including resale thereof regardless of whether the property purchased and leased be new and / or used, from India or from any part of world.

The main objects clause and the objects incidental or ancillary to the main objects of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

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Changes in Memorandum of Association

Since our incorporation, the following change has been made to our Memorandum of Association:

Date of Amendment	Amendment
May 31, 1991	Increase in our authorised share capital from Rs. 1,000,000 (Rupees One Million) divided into 100,000 Equity Shares to Rs. 10,000,000 (Rupees Ten Million) divided into 1,000,000 (One Million) Equity Shares.
November 3, 1992	The name of our Company was changed from Maxi Motors Financial Services Limited to Mahindra & Mahindra Financial Services Limited.
June 25, 1993	Increase in our authorised Share Capital from Rs. 10,000,000 (Rupees Ten Million) divided into 1,000,000 (One Million) Equity Shares to Rs. 40,000,000 (Rupees Forty Million) divided into 4,000,000 (Four Million) Equity Shares.
June 10, 1994	Increase in our authorised Share Capital from Rs. 40,000,000 (Rupees Forty Million) divided into 4,000,000 (Four Million) Equity Shares to Rs. 50,000,000 (Rupees Fifty Million) divided into 5,000,000 (Five Million) Equity Shares.
June 5, 1995	Increase in our authorised Share Capital from Rs. 50,000,000 (Rupees Fifty Million) divided into 5,000,000 (Five Million) Equity Shares to Rs. 100,000,000 (Rupees Hundred Million) consisting of 10,000,000 (Ten Million) Equity Shares.
November 24, 1995	Increase in our authorised Share Capital from Rs. 100,000,000 (Rupees Hundred Million) consisting of 10,000,000 (Ten Million) Equity Shares to Rs. 300,000,000 (Rupees Three Hundred Million) consisting of 20,000,000 (Twenty Million) Equity Shares and 1,000,000 (One Million) Preference Shares.
August 02, 1996	Change in our authorised Share Capital from Rs. 300,000,000 (Rupees Three Hundred Million) consisting of 20,000,000 (Twenty Million) Equity Shares and 1,000,000 (One Million) Preference Shares to Rs. 300,000,000 (Rupees Three Hundred Million) consisting of 25,000,000 (Twenty Five Million) Equity Shares and 500,000 (Five Hundred Thousand) Preference Shares.
March 3, 1998	Increase in our authorised Share Capital from Rs. 300,000,000 (Rupees Three Hundred Million) consisting of 25,000,000 (Twenty Five Million) Equity Shares and 500,000 (Five Hundred Thousand) Preference Shares to Rs. 500,000,000 (Rupees Five Hundred Million) consisting of 25,000,000 (Twenty Five Million) Equity Shares and 25,000,000 (Twenty Five Million) Unclassified Shares of Rs. 10/- (Rupees Ten) each.
August 18, 1998	Change in our authorised Share Capital from Rs. 500,000,000 (Rupees Five Hundred Million) consisting of 25,000,000 (Twenty Five Million) Equity Shares, 25,000,000 (Twenty Five Million) Unclassified Shares of Rs. 10/- (Rupees Ten) each to Rs. 500,000,000 (Rupees Five Hundred Million) consisting of 40,000,000 (Forty Million) Equity Shares and 10,000,000 (Ten Million) 11.25% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each.
July 27, 1999	Increase in our authorised Share Capital from Rs. 500,000,000 (Rupees Five Hundred Million) consisting of 40,000,000 (Forty Million) Equity Shares and 10,000,000 (Ten Million) 11.25% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each to Rs. 650,000,000 (Six Hundred Fifty Million) consisting of 65,000,000 (Sixty five Million) Equity Shares.
July 27, 2000	The Object Clause of the Memorandum was amended to include clauses 119 and 120 after sub-clause 118: 119. To act as agent and to receive payment by way of commission or other remuneration of soliciting or procuring insurance business in India or elsewhere, including insurance business relating to continuance, renewal or revival of policy of insurance and to act as a principal agent, special agent or otherwise engage in agency business for any person

	conducting the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death, accident or happening of any contingency dependent on human life or business of contract of insurance against loss by or incidental to fire or other occurrence customarily included among the risk insured against in fire insurance policies, marine or miscellaneous insurance, and to act as agents for any persons conducting the business of risk management and / or advisory services in all insurance matters including but not limited to general insurance, life insurance or re-insurance. 120. To carry on the business in India or elsewhere of repairers, cleaners, warehousers of, and to alter, improve, exchange, upkeep, maintain, refurbish and deal in any manner in new, used or second-hand motor vehicles, taxi-cabs, mopeds, scooters, motorcycles, three wheelers, auto rickshaws, automobiles, tractors, passenger or commercial vehicles, vans, pickups, earth moving equipments, material handling equipments, trailers, coaches, and all other vehicles drawn by motor, steam, oil, petroleum, electricity or any mechanical or other power or device (all hereinafter referred to as "vehicles") and to carry on the business of running of workshops, garage keepers, and suppliers of an dealers in petrol, oil, component parts, accessories and fittings for / of all kinds of Vehicles.
July 27, 2000	Increase in our authorised Share Capital from Rs. 650,000,000 (Six Hundred Fifty Million) consisting of 65,000,000 (Sixty five Million) Equity Shares to Rs. 750,000,000 (Rupees Seven Hundred Fifty Million) consisting of 75,000,000 (Seventy Five Million) Equity Shares.
June 14, 2001	The Object Clause of the Memorandum was amended to include clauses 121 after sub-clause 120: 121. To act as brokers and to receive payment by way of brokerage, commission or other remuneration in consideration of soliciting or procuring insurance business in India or elsewhere, including insurance business relating to continuance, renewal or revival of policy of insurance and to act as principal broker, special broker or otherwise engage in brokerage business for any person conducting the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death, accident or happening of any contingency dependent on human life or business of contract of insurance against loss by or incidental to fire or other occurrence customarily included among the risk insured against in fire insurance policies, marine or miscellaneous insurance, and to act as brokers for any persons conducting the business of risk management and / or advisory services in all insurance matters including but not limited to general insurance, life insurance or re-insurance.
June 19, 2003	Increase in our authorised Share Capital from Rs. 750,000,000 (Rupees Seven Hundred Fifty Million) consisting of 75,000,000 (Seventy Five Million) Equity Shares to Rs. 1,000,000,000 (Rupees One Thousand Million) consisting of 75,000,000 (Seventy Five Million) Equity Shares and 2,500,000 (Two Million Five Hundred Thousand) Redeemable Preference Shares of Rs. 100 (Rupees Hundred).
March 08, 2004	Increase in our authorised Share Capital from Rs. 1,000,000,000 (Rupees One Thousand Million) consisting of 75,000,000 (Seventy Five Million) Equity Shares and 2,500,000 (Two Million Five Hundred Thousand) Redeemable Preference Shares to Rs. 1,250,000,000 (Rupees One Thousand Two Hundred Fifty Million) consisting of 75,000,000 (Seventy Five Million) Equity Shares and 5,000,000 (Five Million) Redeemable Preference Shares.
December 9, 2005	Increase in the authorised Share Capital of the Company from Rs. 1,250,000,000 (Rupees One Thousand Two Hundred Fifty Million) consisting of 75,000,000 (Seventy five Million) Equity Shares and 5,000,000 (Five Million) Redeemable Preference Shares to Rs. 1,400,000,000 (Rupees One Thousand Four Hundred Million) consisting of 90,000,000 (Ninety Million) Equity Shares and 5,000,000 (Five Million) Redeemable Preference Shares.

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Shareholder Letter

Copa Cabana, a Mauritius based FII, which is a 100% subsidiary of ChrysCapital III, LLC and is registered with SEBI, has subscribed to 3,157,895 Equity Shares at a price of Rs. 190 per Equity Share aggregating to Rs. 600 million on January 5, 2006. Copa Cabana is entitled to assign all or any of their rights and obligations to their affiliates, subject to applicable laws. The letter exchanged between us and Copa Cabana provides that as long as Copa Cabana holds 1,579,000 Equity Shares, it shall continue to have the right to nominate one representative to attend any management interaction sessions and they shall have the right to interact with the senior management. However, Copa Cabana is not entitled to receive any unpublished price sensitive information.

Our Subsidiary

We have one wholly owned subsidiary namely Mahindra Insurance Brokers Limited. The principal activity of our subsidiary is to conduct direct insurance broking for life & non-life businesses for corporates as well as retail customers. MIBL was incorporated on February 18, 1987 as Mahipar Investments Private Limited with the object to invest in securities. Its name was subsequently changed to Mahipar Investments Limited on May 10, 1990 and to Mahindra Allied Investments Limited on November 1, 1995. Mahindra Allied Investments Limited became our subsidiary on April 7, 2004. Its name was changed to MIBL on April 28, 2005 with the main object to do direct insurance broking business. MIBL was granted a 'Direct Broking Licence' by the IRDA on May 18, 2005. MIBL became our wholly owned subsidiary on March 10, 2005. Our liability in respect of MIBL is limited to the extent of the capital invested by us.

The details of the shareholding pattern of MIBL as on December 31, 2005 is as under:

Names of the shareholders	No. of Equity shares held
MMFSL	499,994
MMFSL jointly with Mr. Bharat N Doshi	1
MMFSL jointly with Mr. Rajeev Dubey	1
MMFSL jointly with Mr. Ramesh Iyer	1
MMFSL jointly with Mr. V. Ravi	1
MMFSL jointly with Mr. S. Durgashankar	1
MMFSL jointly with Mr. Jaideep Devare	1
Total	500,000

The board of directors of MIBL as on December 31, 2005 comprises Mr. Rajeev Dubey (Chairman), Mr. Ramesh Iyer, Mr. V. Ravi and Mr. Jaideep Devare. Upon completion of this Issue, we shall appoint an independent director from our Board of Directors on the board of our subsidiary in accordance with clause 49 of the listing agreements with the stock exchanges.

The financial performance of the MIBL is as follows:

(Rs. in million)

	As of March 31, 2005	As of December 31, 2005
Total Income	34.4	49.7
Profit/ (Loss) after Tax	17.3	23.8
Equity Share Capital	5.0	5.0
Reserves (excluding revaluation reserves)	17.3	41.1
EPS (Rs.) (Face Value is Rs. 10 per share)	34.7	47.6
NAV (Rs.)	44.7	92.2

OUR MANAGEMENT

Board of Directors

The general supervision, direction and management of the operations and business of our Company is vested in our Board which exercises all powers and does all acts and things which may be done by us under our Memorandum and Articles. The primary responsibility of the Board of Directors includes:

- overseeing high standards of corporate governance and compliance with various laws and regulations;
- shaping our policies and procedures;
- monitoring our performance and evolving the growth strategy;
- setting up counter-party and other prudential risk management limits; and
- overseeing our financial management and approving various lines of business.

As per our Articles, our Board shall consist of not less than three and not more than twelve directors of which not less than one-thirds of the total number of directors of our Company shall be persons who are liable to retire by rotation. The remaining Directors shall be appointed in accordance with the provisions of our Articles of Association. We currently have ten Directors.

The following table sets forth current details regarding our Board of Directors as on the date of filing of this Prospectus:

Name, Father's Name, Designation, Address and Occupation	Age	Other Directorships
Mr. Anand G. Mahindra S/ o (Late) Mr. Harish Mahindra Non Executive Chairman Goolestan, 1st Floor, 65, Napean Sea Road, Mumbai 400 006 Service	50 years	<u>Chairman:</u> • Mahindra Intertrade Limited • Mahindra Sona Limited • Mahindra British Telecom Limited • Mahindra GESCO Developers Limited • Mahindra (China) Tractor Company Limited • Bristlecone Limited • Mahindra International Limited <u>Vice Chairman & Managing Director:</u> • Mahindra & Mahindra Limited <u>Vice Chairman:</u> • Mahindra Ugine Steel Co. Limited <u>Director:</u> • Kotak Mahindra Bank Limited • Mahindra Holdings & Finance Limited • Avion Aerosols Private Limited. • Automartindia Limited. • MW.Com India Private Limited. • MBT International Inc. • Angular Constructions Private Limited. • M.A.R.K. Hotels Private Limited. • National Stock Exchange of India Limited

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Name, Father's Name, Designation, Address and Occupation	Age	Other Directorships
Mr. Bharat N. Doshi S/ o (Late) Mr. Narotam Doshi Director 8, St. Helen's Court, Peddar Road, Mumbai 400 026 Service	56 years	<u>Chairman:</u> - Mahindra Steel Service Centre Limited <u>Vice Chairman:</u> - Mahindra Intertrade Limited <u>Director:</u> - Mahindra & Mahindra Limited - Mahindra Holdings & Finance Limited - Mahindra USA Inc - Tech Mahindra Limited - Franklin Templeton Trustee Services Private Limited - NSE. IT Limited - Bristlecone Limited - Godrej Consumer Products Limited - Mahindra (China) Tractor Company Limited - Mahindra International Limited
Mr. Anjanikumar Choudhari S/o (Late) Mr. Ramshankar Choudhari Director 401, Fairwinds, Dattatray Road, Off S. V. Road, Santacruz (West), Mumbai 400 054 Service	61 years	<u>Director:</u> - Mahindra USA Inc. - Bristlecone Limited, Cayman Islands. - Bristlecone (Singapore) Pte Limited. - Bristlecone India Limited - Bristlecone Inc. - Mahindra Gujarat Tractors Limited - Mahindra (China) Tractor Company Limited
Mr. Uday Y. Phadke S/ o Mr. Yeshwant Phadke Director 13, Neel Tarang, 208/ 210, Veer Savarkar Marg, Mahim, Mumbai 400 016 Service	55 years	<u>Director:</u> - Mahindra Intertrade Limited - Mahindra Holdings & Finance Limited - Mahindra & Mahindra South Africa (Pty) Limited - Mahindra Gujarat Tractor Limited - Mahindra Shubhlabh Services Limited - Mahindra Gesco Developers Limited - Mahindra Holidays And Resorts India Limited - Mahindra Renault Private Limited
Mr. Dhananjay Mungale S/ o Mr. Narendra Mungale Independent Director 10-A, Ameya Apartment, Off. Kashinath Dhuru Road, Near Kirti College, Mumbai 400 028 Consultant	52 years	<u>Director:</u> - I-nestor Advisores Private Limited. - Mentor Technologies Private Limited. - Zest Pharmaceuticals Private Limited. - Chowgule Steamships Limited. - Camlin Limited - Caprihans India Limited. - Indoco Remedies Limited. - Indo Count Industries Limited - LIC Housing Finance Limited. - South India Corporation (Agencies) Limited. - Tamilnadu Petroproducts Limited. - Snowcem Paints Private Limited. - I2IT Private Limited.

Name, Father's Name, Designation, Address and Occupation	Age	Other Directorships
Mr. Manohar G. Bhide S/ o (Late) Mr. Gopal P. Bhide Independent Director A/ 5, Bageshree, Shankar Ghanekar Marg, Prabhadevi Mumbai 400 025 Retired Bank Executive	66 years	<u>Chairman:</u> - CRISIL Reseach and Information Services Limited. <u>Director:</u> - CRISIL Limited. - Shipping Corporation of India Limited. - Finolex Industries Limited. - Mahindra Shubhlabh Services Limited. J. P. Morgan Securities India Private Limited. - Global Trade Finance Limited. - Indian Oil Tanking Limited. - Asset Reconstruction Company (India) Limited - International Institute of Information Technology Pvt Limited. - CRISIL Reseach and Information Services Limited.
Mr. Nasser Munjee S/ o Mr. Mukhtar C. Munjee Independent Director Champagne House 69, Worli Sea Face, Mumbai 400 018. Consultant and Advisor	52 years	<u>Chairman:</u> - Development Credit Bank Limited <u>Director:</u> - ABB Limited - AXA Bharti Life Insurance Company Limited - HDFC Limited - Cummins India Limited - Gujarat Ambuja Cements Limited - Voltas Limited - ITD Cementation India Limited - Unichem Laboratories Limited - Maharashtra Airport Development Company Limited - Repro India Limited - Securities Trading Corporation of India Limited - South West Port Pvt Limited
Mr. Piyush Mankad S/o (Late) Mr. G. N. Mankad Independent Director C-II/95, Moti Bagh, New Delhi – 110 021 Retired Civil Servant (IAS)	64 years	<u>Director:</u> - Tata International Limited. - Tata Elxsi Limited. - DSP- Merrill Lynch Fund Managers Limited. - Max India Limited. - Noida Toll Bridge Company Limited. - United Breweries (Holding) Limited. - Kingfisher Airlines Ltd.
Dr. Pawan Goenka S/o Mr. Ram Kishore Goenka Director Flat 602, 9th JVPD, Near UTI Bank Limited, 10th Road, Vile Parle (West), Mumbai 400 056 Service	51 years	<u>Chairman</u> - Mahindra & Mahindra South Africa (Pty) Limited <u>Director:</u> - Mahindra Engineering Design & Development Company Limited. - Sylvan Realty Private Limited. - Mahindra Renault Private Limited. - Mahindra Intertrade Limited. - Mahindra Europe Srl. - Mahindra International Limited.

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Name, Father's Name, Designation, Address and Occupation	Age	Other Directorships
Mr. Ramesh G. Iyer S/o Mr. A. P. Ganesh Managing Director A-2003, Oberoi Garden, Western Express Highway, Kandivli (East), Mumbai 400 101 Service	47 years	Director: • Mahindra Insurance Brokers Limited • Automartindia Limited

Details of Directors

Mr. Anand G. Mahindra, our Chairman, 50, an Indian national, has been a Director since inception. Anand Mahindra is an alumnus of Harvard College, Cambridge, Massachusetts from where he graduated Magna cum Laude (High Honours) in 1977. In 1981, he received an MBA degree from the Harvard Business School, Boston, Massachusetts. He began his career with MUSCO, as Executive Assistant to the Finance Director. In 1989, he was appointed as President and Deputy Managing Director of MUSCO. In 1991, he joined M&M as Deputy Managing Director. In April 1997, Anand Mahindra was appointed Managing Director and later on in January 2001, he was appointed Vice Chairman of M&M. He is currently the Vice Chairman and Managing Director of M&M. Anand Mahindra has received many awards including "Knight of the Order of Merit" by the President of the French Republic and Rajiv Gandhi Award in 2004 for outstanding contribution in the business field. He is the co-founder of the Harvard Business School Association of India. He was the President of the Confederation of Indian Industry during 2003-04 and has also been President of the Automotive Research Association of India (ARAI). Anand Mahindra is a Member of the Confederation of Indian Industry, Asia Society – New York, The Nehru Centre – Mumbai, National Institute of Bank Management – Pune. He is a Founder Chairman of the Mumbai Festival, which was launched in January 2005.

Mr. Bharat N. Doshi, 56, an Indian national, has been a Director since March 1992. He is a fellow member of both, the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and has a Master's Degree in Law from the University of Bombay. He has participated in the Program for Management Development at the Harvard Business School. Bharat Doshi joined M&M in the year 1973. He was Executive Vice President (Corporate Affairs) from July 1991 to August 1992. In August 1992, he joined the Board of M&M as Executive Director in charge of Finance & Accounts, Corporate Affairs and Information Technology. He has been the President of the Trade & Financial Services Sector since December 1994. Bharat Doshi is also on the Board of Governors of the Mahindra United World College of India and Indian Institute of Management, Kozhikode. Bharat Doshi is actively involved with the work of several Chambers of Commerce and Industry in India and is a member of the Managing Committee of Bombay Chamber of Commerce & Industry ("BCCI"), the Advisory Board and Think Tank of the BCCI Trust for Economic Management Studies and the Governing Council of Indian Association of Corporate Chief Financial Officers and Treasurers.. He was the Chairman of Expert Committee on Economic Affairs of BCCI during 1996-97. He was the Convenor of the BCCI "Think Tank", constituted as a special body to support the Chamber's initiatives on policy issues. At present, he is a member of the Managing Committee of BCCI. He is a Founding Member and member of the Governing Council of InAct (Indian Association of Corporate CFOs & Treasurers). He has addressed several seminars, both local and international, on the Indian and global economy and other related topics. Bharat Doshi was a Fellow of the Salzburg Seminar on "Asian Economies: Regional and Global Relationships" held in December 2000. Bharat Doshi was adjudged 'India's Best CFO' by the leading business fortnightly "Business Today" (India Today Group Publication) in April 2005. He was also conferred the 'CFO of the Year' Award, honouring financial excellence, instituted by IMA India, an associate of The Economist Group, in December 2005.

Mr. Anjanikumar Choudhari, 61, an Indian national, has been our Director since April 2005. Anjanikumar Choudhari graduated in Mathematics and Statistics and obtained his Masters in Management Studies from the Jamnalal Bajaj Institute of Management Studies, Mumbai. He joined M&M in 1999 as Senior Advisor, Infrastructure Development Sector. He was appointed Executive Vice President responsible for Human Resources and Corporate Services and joined the Management Board in 2000. He was also responsible for Corporate Communications and the Spares Business Unit. In February 2004, he was appointed Executive Vice Chairman of Bristlecone Inc. USA and involved in the merger of Bristlecone with Mahindra Consulting Limited. In January 2005, Anjanikumar Choudhari was appointed President - Farm Equipment Sector in M&M. He is also the Chairman of Mahindra USA Inc. Before joining the M&M Group, he worked for 30 years with Hindustan Lever Limited in India

and with Unilever in China. Anjanikumar Choudhari has also been a member of the Managing Committee of the PHD Chamber of Commerce & Industry, Chairman of the Marketing Committee, Calcutta Management Association and has served on the Executive Committee of the Fair Trade Practices Association of India and the Internal Trade Committee of ASSOCHAM. He has been associated as a part time advisor to the Ministry of Health, Government of India for developing an effective national small family campaign. Anjanikumar Choudhari won the Rotary International Award for Vocational Excellence and Contribution to Professional Development in India in 1995.

Mr. Uday Y. Phadke, 55, an Indian national, has been a Director since May 1999. He 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. He has attended a course for Senior Executives organized by the International Institute for Management Development in Lausanne, Switzerland. Uday Phadke joined M&M in the year 1973 and has held positions of the 'Treasurer' and the 'Controller of Accounts' before becoming Financial Controller in August 1997, Executive Vice President in May 2001 and President in 2005. He is a member of Group Management Board since April 1999. Uday Phadke heads the Finance, Accounts, Investor Relations and Legal Affairs functions of M&M. He is also a member and convenor of the Corporate Governance Cell in M&M. Uday Phadke has been Chairman of the Direct Taxes Committee of the Bombay Chamber of Commerce and is currently a member of the Banking and Finance Committee of that chamber. He has been a co-opted member on the Committee for Members in Industry of The Institute of Chartered Accountants of India and is currently on the Accounting Standards Board of the Institute. He is also a member of the Standing Committee on Disclosures of SEBI and a member on the CII National Committee on Professional Services.

Mr. Dhananjay Mungale, 52, has been our Director since March 1999. Dhananjay Mungale, a Chartered Accountant and a law graduate has spent the major part of his career in corporate and investment banking in India and Europe with Bank of America and DSP Merrill Lynch Limited. He is presently acting as advisor to various corporations in India and Europe. He is on the boards of various public and private limited companies.

Mr. Manohar G. Bhide, 66, an Indian national, has been our Director since October 2000. He is a MA, CAIIB. Manohar Bhide 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 RBI including as Chairman, Advisory Group of the RBI for Payment and Settlement System; Member, Technical Advisory Committee on Money and Government Securities Market; Member, Committee for Capital Account Convertibility; Member, Advisory Group on Corporate Governance; Member, Standing Technical Advisory Committee on Financial Regulations; Member, RBI Committee to screen the proposals of new urban co-operative banks; Member, Committee on Procedures and Performance Audit on Public Services of RBI and Member, Review group for local area bank schemes.

Mr. Nasser Munjee, 53, an Indian national, has been our Director since March 2003. Nasser Munjee is a monetary economist, educated at the University of Chicago and the London School of Economics. He was also the Managing Director and Chief Executive Officer of Infrastructure Development Finance Company Limited from 1997 to 2004. He was with Housing Development Finance Corporation Limited since its inception and his final position was Executive Director when he resigned in 1997. He is presently the Chairman of the Development Credit Bank Limited.

Mr. Piyush Mankad, 64, an Indian national, has been our Director since February 2005. Mr. Mankad did his post graduation in History from St. Stephen's College, University of Delhi, and obtained a post graduation diploma in Development Studies with Distinction from Cambridge, U.K. He has also held important positions including those of Counsellor (Economic) in the Indian Embassy – Tokyo, Controller of Capital Issues – Ministry of Finance, Finance Secretary – Government of India and Executive Director (India) and Board Member – Asian Development Bank, Manila.

Dr. Pawan Goenka, 51, an American national, has been our Director since October 2005. Pawan Goenka is a Mechanical Engineer with a B. Tech from Indian Institute of Technology, Kanpur and a Ph.D. from Cornell University, U.S.A. Pawan Goenka has also done an Advanced Management Programme at the Harvard Business School. He worked for General Motors R&D Centre at Warren, MI, USA, from 1979 to 1993. He joined M&M as General Manager R&D. He became Executive Vice President - Product Development in 2001 and then took over as the Chief Operating Officer of the Automotive Sector in April 2003 and is the President of the Automotive Sector since September 25, 2005. He has received the Outstanding International Advisor Award from Society of Automotive Engineers in 1997, the Charles L. McCuen Achievement Award for the years 1991 and 1995 from General Motors, Burt L. Newkirk Award for the year 1987, Extraordinary Accomplishment Award from General Motors in 1986, Distinguished Alumni Award from I.I.T Kanpur in 2004 and Fellow of the Society of Automotive Engineers and of the Indian National Academy of Engineers. Pawan Goenka was Chairman of Emissions Committee of Society of Indian Automobile Manufacturers from 1999 to 2001; Chairman Task Force on Alternative Energy Driven Vehicles of SIAM from

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2001 to 2003, Chairman Task Force on Auto Oil Programme from September 2003 to August 2005, Chairman, Frontier Technologies, Styling and Design from September 2005 till date, Chairman of Western India Section of SAE, Senior Vice President of SAE India and Vice President of ARAI Governing Council.

Mr. Ramesh Iyer, 47, an Indian national, has been our Managing Director since 2001. Ramesh Iyer is a whole time director of the Company. Ramesh Iyer, a commerce graduate and an MBA from Mumbai University was working with Ashok Leyland Finance Limited prior to joining us in 1994. He is also a member of core committee of Finance Industry Development Council. He is also appointed as Co-Chairman of Banking & Finance Committee of the Bombay Chamber of Commerce and Industry. The compensation for Fiscal 2006, including a variable performance component and benefits, is Rs. 6.7 million. As a part of our ESOS, he has been granted options to purchase 100,000 Equity Shares.

Borrowing Powers of our Board of Directors

Pursuant to a resolution passed by our shareholders in accordance with provisions of the Companies Act, our Board is authorised to borrow sums of money for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the company (apart from the temporary loans obtained from the company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 55,000 million.

Appointment of our Directors

Set forth below are the details of appointment and term of our existing Directors:

Name of Director	Date of Appointment/ Reappointment	Term
Mr. Anand G. Mahindra	December 31, 1991	Liable to retire by rotation
Mr. Bharat N Doshi	March 30, 1992	Liable to retire by rotation
Mr. Dhananjay Mungale	March 1, 1999	Liable to retire by rotation
Mr. Uday Y. Phadke	May 27, 1999	Liable to retire by rotation
Mr. Manohar G. Bhide	October 24, 2000	Liable to retire by rotation
Mr. Ramesh Iyer	April 30, 2001	Appointed up to April 29, 2006
Mr. Nasser Munjee	March 17, 2003	Liable to retire by rotation
Mr. Piyush Mankad	February 21, 2005	Liable to retire by rotation
Mr. Anjanikumar Choudhari	April 27, 2005	Liable to retire by rotation
Dr. Pawan Goenka	October 27, 2005	Liable to retire by rotation

Compensation of our Whole-time Director

Mr. Ramesh Iyer was appointed as the Managing Director from April 30, April 2001 up to April 29, 2006 on the terms and conditions contained in the Resolution passed at the meeting of the Board of Directors held on April 30, 2001.

However, the terms and conditions have been revised as per the resolution passed at the meeting of Board of Director held on October 26, 2004 and the EGM held on December 10, 2004. The revised terms are as follows:

Particulars	Terms
Basic Salary	
Scale	Rs. 90,000 to Rs. 125,000 per month.
Present Salary	Rs. 1,05,298 per month

Perquisites - housing, medical reimbursement, leave travel concession, performance award, club fees, encashment of leave, contribution to funds, provision of car and telephone at the Managing Director's residence for his use and other amenities and benefits as per the Company's rules.

Commission - In addition to salary and perquisites, the Managing Director will be entitled to such commission based on our net profits of the company in any financial year not exceeding 1/4th percent of such profits as the Remuneration Committee shall decide, having regard to the performance of the company.

In the event of absence or inadequacy of profit in any financial year, the remuneration by way of salary, allowance and perquisites payable to the Managing Director shall not exceed the limits prescribed under Schedule XIII to the Company's Act 1956 and the Rules made thereunder or any statutory modification or re-enactment thereof, including the provisions relating to the minimum remuneration.

All Directors are reimbursed for travel expenses. Other than wholetime directors of M&M and our Company, all Directors receive sitting fees for attending meetings of the Board or committees thereof. As per our AoA, the Directors of the Company are not required to hold any qualification shares. Further, in the AGM held on June 10, 2005, our shareholders resolved that pursuant to the provisions of sections 198, 309 and other applicable provisions of the Companies Act, and in accordance with the AoA and MoA, the directors, other than the Managing Director, Executive Directors and Whole time Directors, for a period of five years from April 1, 2005 be paid a remuneration by way of commission up to 1% of the net profits of our Company, provided that none of eligible directors, shall in any Fiscal, receive a portion of such commission equal to or more than 1/4th per cent of the net profits of our Company.

Corporate Governance

Corporate governance is administered through our Board of Directors and the committees of the Board. Pursuant to listing of our Equity Shares, we would be required to enter into listing agreements with the Stock Exchanges. We are in compliance with the applicable provisions of listing agreement pertaining to corporate governance, including appointment of independent Directors and constitution of the following committees of our Board:

Audit Committee

The Audit Committee, constituted by the Board at its meeting held on February 17, 2000, presently consists of Mr. M. G. Bhide (Independent Director and Chairman of the Committee), Mr. Uday Y. Phadke, Mr. Dhananjay Mungale (Independent Director) and Mr. Nasser Munjee (Independent Director). The Managing Director, the Chief Financial Officer, the Chief Internal Auditor of M&M and the Company Secretary also attend the meetings. The Committee meets four times during the year.

Functions of the Audit Committee interalia include:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending to the Board the appointment, re-appointment, replacement/ removal of the statutory auditor and fixing audit fees;
- Reviewing with the management, the annual and quarterly financial statements before submission to the Board for approval;
- Reviewing with the management, performance of the statutory and internal auditors and adequacy of the internal control systems;
- Discussion with the internal and statutory auditors on significant findings and reviewing findings of internal investigations by internal auditors, like matters of fraud or irregularity or failure of internal control systems, if any;
- Look into reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders and creditors;
- Review the functioning of the whistle blower mechanism, in case the same is existing;
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the officials, reporting structure coverage and frequency of internal audit. The internal audit of our branches is undertaken by a team of auditors of M&M and other experienced professionals, under the overall supervision of the Chief Internal Auditor of M&M to assess the adequacy of the internal controls, procedures and process of our Company;
- And carry out any other function that is mentioned in the terms of reference of the Audit Committee.

Asset Liability Committee (ALCO)

An ALCO, constituted by the Board at its meeting held on September 12, 2001, reviews the working of the asset liability committee, in accordance with the guidelines of the Reserve Bank of India.

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The ALCO presently comprises Mr. Uday Y. Phadke and Mr. Dhanajay Mungale (Independent Director). The Committee meets twice during the year.

Functions of the ALCO include:

- Review the functions of the ALCO comprising MD, CEO and certain senior executives of our committee
- Review the findings and reports of the ALCO, including review of the ALM return filed with the RBI

Share Transfer Grievance Committee

The Share Transfer Grievance Committee, constituted by the Board at its meeting held on July 27, 2000, presently comprises Mr. Uday Y. Phadke, Mr. Dhanajay Mungale (Independent Director), Mr. Nasser Munjee (Independent Director) and Mr. Ramesh Iyer.

Remuneration/Compensation Committee

The Remuneration/Compensation Committee, originally constituted by the Board of Directors at its meeting held on October 26, 2004, presently consists of Mr. Anand Mahindra, Mr. Bharat Doshi, Mr. Uday Y. Phadke, Mr. Dhananjay Mungale (Independent Director) and Mr. Nasser Munjee (Independent Director). Any 2 members constitute quorum for a meeting of the Remuneration/Compensation Committee. The Remuneration/Compensation Committee is broadly responsible to review and approve remuneration package for the working director, commission payable to the directors, formulate and administer and the ESOS and such other matters.

Shadow Board

We have formed a shadow board with the intention to solicit different views and counter-views from our employees. The shadow board allows employees to challenge established modes of thinking and encourages new inputs for our strategic business plans and their successful implementation. Our shadow board comprises executives from different functions like marketing, accounts, treasury, human resources and systems. The main function of the shadow board is to revisit our strategy, processes and policy and guide us to achieve its goals.

Shareholding of Directors in our Company

The following Directors are interested to the extent of their shareholding in the Company:

Sr. No.	Name of Director/ Key Managerial Personnel	No. of shares held	No. of shares to be allotted under ESOS
1	Mr. Anand Mahindra	Nil	Nil
2	Mr. Bharat N Doshi	240	200,000
3	Mr. Uday Phadke	Nil	10,000
4	Mr. Anjanikumar Choudhari	Nil	10,000
5	Dr. Pawan Goenka	Nil	10,000
6	Mr. M.G. Bhide	Nil	10,000
7	Mr. Dhananjay Mungale	Nil	10,000
8	Mr. Nasser Munjee	Nil	10,000
9	Mr. Piyush Mankad	Nil	10,000
10	Mr. Ramesh Iyer	Nil	100,000

Our AoA do not require our Directors to hold any Equity Shares. None of our Directors hold any Equity Shares except Mr. Bharat Doshi. For details of options granted to our Directors under ESOS, please refer to Notes under section titled "Capital Structure" on page 16 of this Prospectus.

Interest of our Directors

All the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board and of Committees thereof, reimbursement of expenses as well as to the extent of other remuneration, if any, payable to them under the Articles.

All the Directors may also be deemed to be interested to the extent of equity shares / Debentures, if any, already held by them and/ or by their friends and relatives in Company or the debentures that may be subscribed for and allocated to them, out of the present offer in terms of this Umbrella Information Memorandum and also to the extent of any dividend / Interest payable to them and other distributions in respect of the said equity shares / debentures.

All the Directors may also be deemed to be interested to the extent of normal transactions, if any, with the Company.

The Directors may also be regarded as interested in the equity shares, if any, held or that may be subscribed by and allocated to the companies, firms and trust in which they are interested as directors, members, partners, and / or trustees.

Mr. Ramesh Iyer, Managing Director, may be considered as interested to the extent of remuneration paid/ payable to him.

Changes in our Board of Directors during the last three years

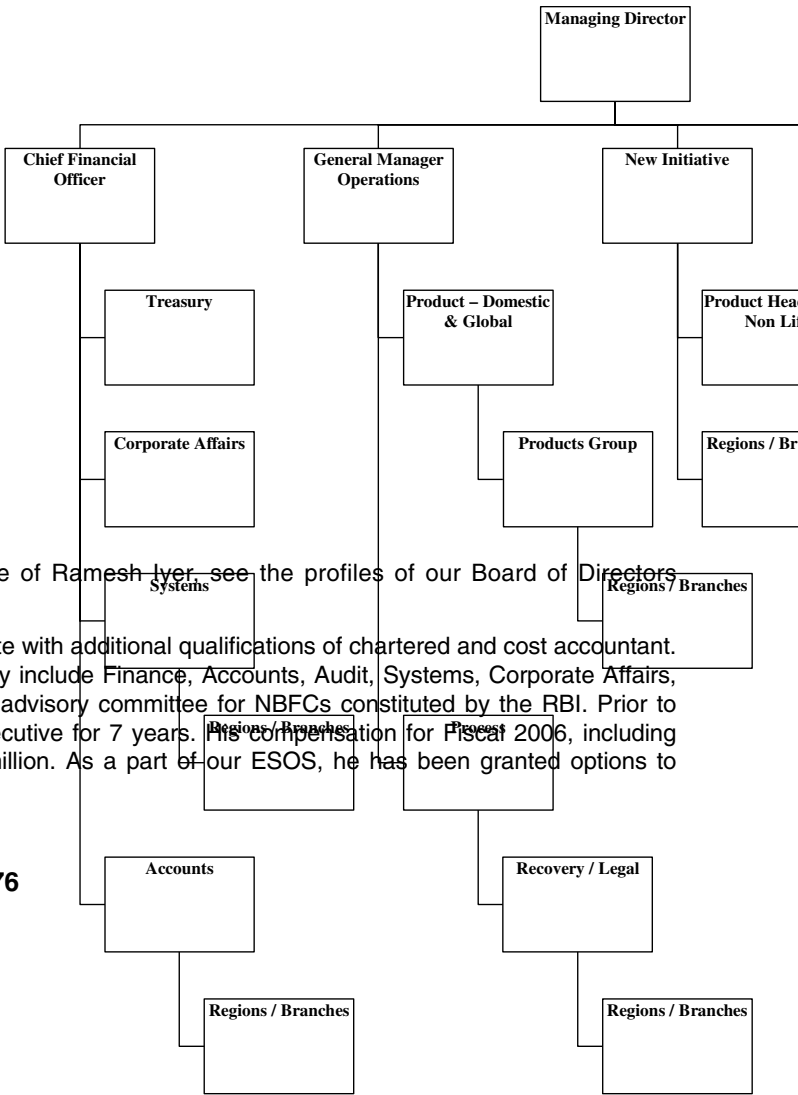
The changes in our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Nasser Munjee	March 17, 2003	Not Applicable	Appointment
Mr. Rajeev Narain	June 26, 2002	April 28, 2004	Resignation
Mr. Piyush Mankad	February 21, 2005	Not Applicable	Appointment
Mr. Anjanikumar Choudhari	April 27, 2005	Not Applicable	Appointment
Mr. K. J. Davasia	June 12, 1997	January 24, 2005	Resignation
Mr. Alan Durante	March 30, 1992	September 25, 2005	Resignation
Mr. Dipak Rudra	June 26, 2002	June 10, 2005	Resignation
Dr. Pawan Goenka	October 27, 2005	Not Applicable	Appointment

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Management Organisation Structure

Our management organisation structure is set forth below:



Key Managerial Personnel

Mr. Ramesh Iyer, Managing Director. For a detailed profile of Ramesh Iyer, see the profiles of our Board of Directors mentioned above.

Mr. V. Ravi, Chief Financial Officer, 45, is a commerce graduate with additional qualifications of chartered and cost accountant. He has been with us since inception. His areas of responsibility include Finance, Accounts, Audit, Systems, Corporate Affairs, Legal and Fixed Deposit functions. He was an invitee on the advisory committee for NBFCs constituted by the RBI. Prior to joining us, he has worked with MUSCO as senior finance executive for 7 years. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs. 3.8 million. As a part of our ESOS, he has been granted options to purchase 60,000 Equity Shares.

Mr. Apurv Verma, General Manager - Operations, 38, is a post graduate in commerce from Mumbai University with a PGDBM from Welingkar Institute. Prior to joining MMFSL, he was with Tata Finance Limited as senior accounts manager in the assets finance division for about 6 years. He has overall experience of 17 years in retail credit risk, credit control, monitoring, reviewing, general management, strategic planning and implementation, organisational development, budgeting and dealer development in various capacities. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs. 2.5 million. As a part of our ESOS, he has been granted options to purchase 40,000 Equity Shares.

Mr. Nitin Shah, National Head - Treasury, 35, is a commerce graduate from Mumbai University and a Chartered Accountant. Prior to joining us in 1998, he had 3 years of experience in companies like Matrix paging India as Deputy Manager in the Finance department. He has overall work experience of around 10 years in the field of debt capital markets, credit rating, resource mobilization and structured products. He was a member of the first Shadow-Board instituted by the Company. The Shadow Board gives strategic inputs to the operating team of MMFSL. He is also a member of ALCO of the organization. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.4 million. As a part of our ESOS, he has been granted options to purchase 12,000 Equity Shares.

Mr. Dinesh Prajapati, National Head - Corporate Affairs, 35, is a CA and ICWA. Prior to joining us he worked as an auditor in Rajinder Steel Limited. He joined us in the year 1995 and is amongst the first few employees who helped the set-up of operations. He has over 11 years of experience in Accounting, Finance, MIS and Budgeting, System implementation and functional specification, Risk Management, Project implementation functions. He is currently heading the Risk Management Team and responsible for implementation of system decentralisation at branch level across country. He was the Chairperson of the first Shadow-Board instituted by the Company. Mr. Prajapati is holding 3,125 equity shares of the Company. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.5 million. As a part of our ESOS, he has been granted options to purchase 12,000 Equity Shares.

Mr. Sankha Bhowmick, Head – Human Resources, 31, is a Science honours graduate from Delhi University with post graduation in Human resources Management and PG Diploma in Industrial Relations & Personnel management from Bhartiya Vidya Bhavan (New Delhi). Prior to joining us in HR and Training function, he has worked in India and abroad in similar capacity with organizations in diverse sectors like STAR TV (Media), Barista Coffee Company Limited (Retail); Convergys India Services (BPO), Binary Semantics (IT). He has around 10 years of experience in the field of Corporate HR, training, recruitments, retail operations and HR Operations. He is amongst the youngest Head of departments with diverse experience and is nominated as a MMFSL shadow-board member and is the acting chairperson of Shadow Board. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.3 million. As a part of our ESOS, he has been granted options to purchase 3,250 Equity Shares.

Mr. Rajesh Vasudevan, National Head - Accounts, 36, is a Commerce graduate from Mumbai University and a qualified Cost Accountant having 15years of rich experience in accounts and taxation with companies like TATA Finance Limited & Asian Paints (India) Limited. He joined the company on 15th March 1999. In his current capacity he is responsible for the accounts & taxation functions. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.3 million. As a part of our ESOS, he has been granted options to purchase 10,000 Equity Shares.

Mr. Rajesh Joshi, Assistant General Manager – Operations, 35, is a Science Graduate with hardcore financial services experience. Prior to joining us he worked with Ashok Leyland Finance in operations for approximately 4 years. He joined us in 1995 and is amongst the first few core employees who were involved in the commencement of our field operations in India. He has over 13 years of experience in retail operations in the NBFC industry. He was a member of the first Shadow Board instituted by the Company. The Shadow Board gives strategic inputs to the operating team of MMFSL. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.2 million. As a part of our ESOS, he has been granted options to purchase 12,000 Equity Shares.

Mr. Suresh A Shanmugam, National Head - Information Systems & Technology, 36, is a Mathematics honors graduate from Madras University and has obtained certifications for various software programming related courses. Prior to working with us he has experience of working with companies like Appsoft, Power India, etc. in areas related to systems analysis, Hardware and software programming. He has a total work experience of 14 years. He was a member of the first Shadow Board instituted by the Company. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.2 million. As a part of our ESOS, he has been granted options to purchase 7,500 Equity Shares.

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Mr. Gurdev Mehta, General Manager - Asset Restructuring, 53, has done his Masters in Economics from Chandigarh University. Prior to joining us he has worked with various companies including Nissan Forge Private Limited, Light Engineering Company, Ashok Leyland finance Limited He has around 32 years of experience in operations and marketing. He was responsible for successful handling of retails operations in Madhya Pradesh, East and North East States before being given the responsibility of heading the Asset Restructuring Division. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.7 million. As a part of our ESOS, he has been granted options to purchase 14,000 Equity Shares.

Mr. Binoj Mathai, Business Head - LMV, 31, is a management graduate. He started his career with us as a management trainee and has over 8 years of hands on experience in retail assets in financial services industry. He was responsible for launching and successful handling of retail operations in Kerala state before being given the responsibility of heading car loans portfolio. He was a member of the first Shadow Board instituted by the Company. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.0.9 million. As a part of our ESOS, he has been granted options to purchase 7,500 Equity Shares.

Mr. Richard Clement, Business Head - Refinance, 43, is a Science Graduate with post graduation in Marketing. Prior to working with us he has worked with Lloyd Finance Limited. He has around 20 years of experience in operations. He was responsible for part of Maharashtra regional operations before being given the responsibility of steering Refinance business portfolio. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.1 million. As a part of our ESOS, he has been granted options to purchase 7,500 Equity Shares.

Mr. H. S. Kamath, Business Head - Tractors, 34, is a commerce graduate with post graduation in business administration. Prior to working with us he has worked with various Non banking companies namely Manipal Finance etc. He has around 12 years of experience in operations and finance. He was handling the Karnataka state operations before given the charge of managing the tractor portfolio for the organization. He is a member of the Shadow Board. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.1 million. As a part of our ESOS, he has been granted options to purchase 7,500 Equity Shares.

Mr. Rajnish Agarwal, Head - Process Management, 41, is a Science graduate with post graduation in business administration specializing in Finance from Mumbai University. Prior to working with us he has worked with various non-banking companies namely Apple Industries and Tata Finance Limited He has around 17 years experience in operations. He was handling UP and Bihar states operations before given the charge of handling the process management initiatives for the organization. He has recently been given an additional responsibility of handling the Automotive Sector product portfolio. His compensation for Fiscal 2006, including a variable performance component and benefits, is Rs.1.2 million. As a part of our ESOS, he has been granted options to purchase 7,000 Equity Shares.

All our key managerial personnel are permanent employees of our Company and none of them are related to each other or to any Director.

Changes in our Key Managerial Personnel during the last three years

The changes in our key managerial employees during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. Rajesh Kamath	October 17, 2001	December 31, 2004	Resignation
Mr. Sankha Bhowmick	November 17, 2004	-	Appointment
Mr. Narendra Jain	November 01, 1995	October 07, 2005	Resignation

ESOS

For details of our ESOS scheme, see Notes to Capital Structure under section titled "Capital Structure" on page 16 of this Prospectus.

OUR PROMOTER

Mahindra & Mahindra Limited

M&M was incorporated on October 2, 1945 as a private limited company under the Companies Act, 1913 and converted into a public limited company on June 15, 1955. Mr. Keshub Mahindra and Mr. Anand Mahindra are the promoters of M&M.

M&M's shares were first listed on the BSE in 1956. The equity shares of the company are presently listed on the BSE, NSE and the Calcutta Stock Exchange Association Limited. Application has been made to delist the equity shares on the Calcutta Stock Exchange Association Limited. The Global Depository Receipts of the company are listed on the Luxembourg Stock Exchange and the Foreign Currency Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

M&M's main business is the manufacture and sale of utility vehicles, light commercial vehicles, three-wheelers and tractors. It is the market leader by sales of tractors in India (Source: CRIS INFAC). In the year ended March 31, 2005, M&M sold 145,024 vehicles and 65,390 tractors through its extensive dealer network in India and through exports. M&M has two main operating divisions:

- The Automotive Division, which designs, manufactures and sells UVs, LCVs and three-wheelers and their spare parts and accessories.
- The Tractor Division, which makes agricultural tractors and implements that are used in conjunction with tractors. The Tractor Division also sells tractor spare parts through its dealer and spare parts stockist network. This division has also ventured into the industrial engines business in order to leverage its design and manufacturing expertise.

M&M employs around 11,600 people and has six state-of-the-art manufacturing facilities spread over 500,000 square meters in area. It has also set up two satellite plants for assembly of tractors. It has 49 sales offices that are supported by a network of over 780 dealers across the country. This network is connected to its sales departments by an extensive IT infrastructure.

In November 2003, in recognition of its global competitiveness in terms of cost and quality, M&M received the Deming Prize awarded by the Japanese Union of Scientists & Engineers. M&M is the first tractor manufacturer in the world to receive this prize.

M&M is expanding its reach globally. It has set up a 100% subsidiary in USA to assemble tractors and has a joint venture with French auto giant Renault to manufacture Logan, their new sedan in India. M&M also has a tie-up with USA-based International Truck & Engine Corporation to manufacture trucks in India. Besides the USA, M&M exports its products to several countries in Africa, Asia, Europe and Latin America. It acquired a majority stake in the Jiangling Tractor Company, China in December 2004. It recently acquired 98.6% stake in U.K. based Stokes Group Limited, the largest auto forging company in the U.K.

For Fiscal 2005, on a consolidated basis, the total income (net of excise duty on sales) of M&M was Rs. 95,655.2 million and the net profit was Rs. 7,240.8 million. As on March 31, 2005, on a consolidated basis, the total assets of the company were Rs. 68,643.0 million and its total share capital and reserves and surplus were Rs. 24,107.1 million.

Shareholding pattern

The shareholding pattern of M&M as of December 31, 2005 is as below:

Category	No. of Shares Held	Shareholding (%)
Indian Promoters	205,148	0.1%
Persons acting in Concert	54,713,555	23.5%
Mutual Funds and UTI	17,340,989	7.5%
Banks, Financial Institutions, Insurance Companies	37,210,537	16.0%
Foreign Institutional Investors	73,348,282	31.5%
Private Corporate Bodies	7,913,613	3.4%
Indian Public	25,480,477	10.9%
NRIs/ OCBs	2,182,449	0.9%
Bank of New York – Depository	14,474,184	6.2%
Total	232,869,234	100.0%

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

For details of shareholding of M&M in our Company, please refer to section titled "Capital Structure" on page 16 of this Prospectus.

Board of Directors

The details of the board of directors of M&M as on December 31, 2005 are as given in the table below:

Name	Designation
Mr. Keshub Mahindra	Chairman
Mr. Anand G. Mahindra	Vice Chairman & Managing Director
Mr. Deepak S. Parekh	Director
Mr. Nadir B. Godrej	Director
Mr. M. M. Murugappan	Director
Mr. V.K. Chanana	Director (Nominee of UTI)
Mr. T.S. Vijayan	Director (Nominee of LIC)
Mr. Narayanan Vaghul	Director
Dr. A.S. Ganguly	Director
Mr. R.K. Kulkarni	Director
Mr. Anupam Puri	Director
Mr. Bharat N. Doshi	Executive Director
Mr. A.K. Nanda	Executive Director & Secretary

Financial Performance

The unconsolidated financial results for M&M for fiscal 2003, fiscal 2004 and fiscal 2005 are as follows:

Particulars	For the Financial Year ended March 31 (Rs. Million)		
	2003	2004	2005
Total Income	45,967.9	60,012.3	78,040.9
Profit / loss after taxation	1,455.3	3,485.4	5,126.7
Equity Share Capital	1160.1	1160.1	1160.1
Reserves (excluding revaluation reserves)	14,383.1	16,441.5	18,819.3
NAV per Share (Rs.)	130.6	149.2	168.4
EPS per Share (Rs.)	12.6	30.0	44.2

Other details relating to M&M

PAN	AAACM3025E
Bank Account Details	State Bank of India, CAG Branch, Ballard Pier, Mumbai 400 001
Account No.	0160000010403
Registration Number	11-4558
Address of RoC	2 nd Floor, Hakoba Mills Compound, Dattaram Lad Marg, Kalachowki, Mumbai – 400 033, Maharashtra, India

The details of PAN and Bank account have been submitted to the BSE and NSE at the time of filing the Draft Red Herring Prospectus with them. Further, M&M has confirmed that it has not been detained as wilful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Details of the last public/ rights issues and offerings

M&M made its initial public issue in 1956. M&M made an issue of 4,816,012 - 12.5% secured fully convertible debentures (Part A and Part B) of Rs.110 each and / or zero interest fully convertible secured bonds (Part A and Part B) of Rs. 90 each for an amount not exceeding Rs. 529,761,320/-, with an option to retain up to 15% of the issue as excess subscription, to the

existing shareholders of the company, on a rights basis in the ratio one debenture / bond for every four fully paid ordinary (equity) shares held. The issue opened on January 18, 1990 and closed on February 19, 1990. The date of allotment was April 1, 1990.

The proceeds of the issue were applied for financing a part of the outlay required for installing additional manufacturing facilities at the Automotive and Tractor Divisions of M&M as stated in the letter of offer.

M&M has not made a public issue or rights issue in India in the last three years. M&M issued Zero Coupon Foreign Currency Convertible Bonds in Fiscal 2005, which were convertible into Global Depository Receipts and / or equity shares.

Promise v/s Performance:

No promises were made in the letter of offer for the last convertible debenture / bond issue made to the shareholders of M&M on a rights basis. There were no projections made during the issuance of M&M's Foreign Currency Convertible Bonds.

Information about Share Price

The shares of M&M are listed on the BSE and NSE. The company has applied for approval for delisting its shares with the Calcutta Stock Exchange Association Limited and the approval for delisting of shares is awaited. The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

	High (Rs.)	Low (Rs.)
August 2005	730.50	667.50
September 2005	380.00	345.00
October 2005	411.95	351.00
November 2005	481.80	353.20
December 2005	524.45	450.00
January 2006	561.70	503.20

Note: Equity shares became ex bonus in the ratio of 1:1 with effect from September 1, 2005

Source: www.bseindia.com

Mechanism of redressal of investor grievance

M&M has Share Transfer and Shareholders/ Investors Grievance Committee which meets as and when required, to deal with matters relating to transfer/ transmission of shares and monitors redressal of complaints from shareholders relating to transfers, non receipt of balance sheet, non receipt of dividend declared, etc. Typically the investor grievances are dealt within a fortnight of receipt of the complaint from the investor. As of December 31, 2005, there are no undisputed investor complaints that were unresolved.

OUR PROMOTER GROUP

Given below is the list of entities promoted by M&M either by themselves or jointly with other entities and their group companies. Unless mentioned otherwise, all M&M Group companies are unlisted companies and have not made any public issue in the preceding three years. Unless mentioned otherwise, none of them has become a sick company under the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and are not under winding up.

I Listed Companies

1. Mahindra Ugine Steel Company Limited
2. Mahindra Gesco Developers Limited

II Unlisted Companies

3. Mahindra Renault Private Limited
4. Mahindra Europe Srl.
5. Mahindra & Mahindra South Africa (Pty) Limited
6. NBS International Limited
7. Mahindra International Limited
8. Mahindra Gujarat Tractor Limited
9. Mahindra Shubhlabh Services Limited
10. Mahindra (China) Tractor Company Limited
11. Mahindra USA Inc.
12. Mahindra Acres Consulting Engineers Limited
13. Mahindra Holidays and Resorts India Limited
14. Mahindra Holidays and Resorts USA Inc.
15. Mahindra Infrastructure Developers Limited
16. Mahindra World City Developers Limited
17. Mahindra World City (Jaipur) Limited
18. Mahindra Realty Limited
19. Mahindra Intertrade Limited
20. Mahindra Middleeast Electrical Steel Service Centre (FZC)
21. Mahindra Steel Service Centre Limited
22. Mahindra Automotive Steels Private Limited
23. Mahindra SAR Transmission Private Limited
24. Console Estate & Investments Limited
25. Mahindra Engineering Design & Development Company Limited
26. Stokes Group Limited
27. Jensand Limited
28. Stokes Forgings Limited
29. Stokes Forgings Dudley Limited
30. Mahindra Holdings and Finance Limited
31. Mahindra AshTech Limited
32. Mahindra Engineering & Chemical Products Limited
33. Automartindia Limited
34. Mahindra Overseas Investment Company (Mauritius) Limited
35. Bristlecone Limited
36. Bristlecone Inc
37. Bristlecone (Singapore) Pte. Limited
38. Bristlecone India Limited
39. Bristlecone (UK) Limited
40. Bristlecone GmBH

41. Mahindra - BT Investment Company (Mauritius) Limited
42. Mahindra Logisoft Business Solutions Limited
43. Tech Mahindra Limited
44. Tech Mahindra GmbH
45. Tech Mahindra (America) Inc.
46. Tech Mahindra (Singapore) Pte Limited
47. Tech Mahindra (R & D Services) Limited
48. Axes Technologies, Inc
49. Axes Technologies (Asia-Pacific) Pte Limited
50. PSL Erickson Limited
51. Mahindra Sona Limited
52. Officemartindia.com Limited
53. Mahindra & Mahindra Contech Limited
54. Indian NGOs.com Private Limited
55. Owens Corning India Limited
56. Plexion Technologies India (Pvt.) Ltd.
57. Plexion Technologies U.K. Ltd.
58. Plexion Technologies Inc.
59. Plexion Technologies GmbH

III Companies Under Liquidation

60. Mahindra Manufacturers Corporation Limited
61. Montreal Engineering International Limited
62. Triton Overwater Transport Agency Limited

IV Ventures from which M&M has disassociated during the last three years

63. HDFC Realty Limited
64. Jayem Automotives Limited
65. Ford India Private Limited
66. Ford Credit Kotak Mahindra Limited

(I) Listed Companies

1) Mahindra Ugine Steel Co. Limited

MUSCO was incorporated on December 19, 1962 as a public company and received its certificate of commencement of business on May 16, 1963. Its registered office is located at 74, Ganesh Apartment, Opp. Sitaladevi Temple, L.J. Road, Mahim (W), Mumbai- 400 016. It is involved in manufacture of alloy steel for both automotive and non-automotive applications, while its stamping division serves the automotive industry.

Shareholding Pattern

The following is the shareholding of MUSCO as on December 31, 2005.		
Names of the shareholders	No. of shares held	% holding
Promoters		
Mahindra Holdings & Finance Limited	16,482,742	53.2%
Others	46,866	0.2%
Sub Total	16,529,608	53.4%
Institutional Investors		
Mutual Funds & UTI	1,711,945	5.5%
Banks, Financial Institutions, Insurance Companies	2,977,626	9.6%
Foreign Institutional Investors	2,446,516	7.9%
Sub Total	7,136,087	23.1%

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Names of the shareholders	No. of shares held	% holding
Others		
Private Corporate Bodies	1,414,220	4.6%
Indian Public	5,746,027	18.6%
NRIs/OCBs	105,747	0.3%
Sub Total	7,265,994	23.5%
Total	30,931,689	100.0%

In addition the company has issued 0.55 million preference shares of Rs. 100 each to Mahindra Holdings and Finance Limited.

Board of Directors

Name	Nature of directorship/ designation
Mr. Keshub Mahindra	Chairman
Mr. Anand G. Mahindra	Vice Chairman
Mr. K.V. Ramarathnam	Managing Director
Mr. Hemant Luthra	Director
Mr. N. V. Khote	Director
Dr. H. N. Sethna	Director
Mr. M. R. Ramachandran	Director
Mr. C. S. Madhav Rao	(Nominee Director-LIC)
Mr. R. R. Krishnan	Director
Mr. S. Ravi	Director

Financial Performance

In Rs Millions
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	309.3	309.3	309.3
Reserves and surplus (excluding revaluation reserves)	439.2	87.8	61.0
Total revenue	5,230.4	3,590.4	2,452.3
Profit after tax	481.6	61.0	(172.2)
EPS (Rs.)	15.0	1.8	(6.2)
NAV per share (Rs.)	24.2	12.8	12.0

Details of the last public/ rights issue made

MUSCO made an issue of 14% secured fully convertible debentures of Rs. 125/- each to the existing shareholders on a rights basis in the ratio of 15 debentures for every 100 equity shares held. The number of debentures issued were 23,31,767 (Part A – Rs. 35/- and Part B – Rs. 90/- each) for an amount of Rs. 29,14,70,875/-. The issue opened on May 4, 1992 and closed on June 1, 1992. The date of allotment was July 1, 1992.

The proceeds of the issuer were applied towards the objects of the issue, which was to meet the working capital requirements and ongoing capital expenditure. MUSCO has not made any public issue during the last 3 years.

Promise v/s performance:

No promise was made in the last rights issue made by MUSCO.

Information about Share Price

The securities of MUSCO as on December 31, 2005 are listed on BSE, NSE and Calcutta Stock Exchange Association Limited. The company got delisted from The Stock Exchange, Ahmedabad with effect from October 15, 2004, the Madras Stock Exchange Limited with effect from October 19, 2004 and The Delhi Stock Exchange with effect from March 1, 2005. The following monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Month	High (Rs.)	Low (Rs.)
August 2005	117.9	102.0
September 2005	139.5	106.1
October 2005	129.9	85.0
November 2005	121.0	90.5
December 2005	141.0	111.0
January 2006	160.9	130.7

Source: www.bseindia.com

There has been no change in its capital structure in the last six months. However, Board of Directors of the Company at their meeting held on September 5, 2005 have proposed a compromise or arrangement under Section 391 to 394 of the Companies Act, 1956 involving the amalgamation and merger of Pranay Sheetmetal Stampings Limited, Console Estate & Investments Limited and Valueline Hotels & Resorts Limited with Mahindra Ugine Steel Co. Limited. The proposed Scheme of Amalgamation has been sanctioned by the Hon'ble High Court of Bombay on February 24, 2006.

Mechanism for redressal of investor grievance

MUSCO has an investors' grievance committee which meets periodically to deal with matters relating to transfer/ transmission of shares (through Share Transfer sub Committee), issue of duplicate shares and monitors redressal of complaints from shareholders. Typically the investor grievances are dealt within 12 days of filing the complaint. There are no complaints pending for redressal as on date.

2) Mahindra Gesco Developers Limited

Mahindra Gesco Developers Limited was incorporated on March 16, 1999 as Gesco Corporation Pvt Limited. The name was changed to Gesco Corporation Limited on August 25, 1999 and then to Mahindra Gesco Developers Limited on December 24, 2002. Initially its registered office was located at 8th Floor, World Trade Centre, Cuff Parade, Mumbai – 400 001. On January 1, 2003 it was shifted to Mahindra Towers, 5th Floor, Worli, Mumbai – 400 018. Its activities include project management and real estate development, operating of commercial complexes and operating business centres.

The following is the shareholding of MGESCO as on December 31, 2005

Names of the shareholders	No. of shares held	% holding
Promoters		
M&M	12,566,126	40.5%
Mahindra Holdings & Finance Limited	4,500,000	14.5%
Sub Total	17,066,126	55.0%
Institutional Investors		
Mutual Funds & UTI	749,469	2.4%
Banks, Financial Institutions, Insurance Companies	376,008	1.2%
Foreign Institutional Investors	8,220,761	26.5%
Sub Total	9,346,238	30.1%
Others		
Private Corporate Bodies	447,459	1.4%
Indian Public	4,002,424	12.9%
NRI/OCBs	166,103	0.5%
Sub Total	4,615,986	14.9%
Total	31,028,350	100.0%

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In addition, the company has issued 5.5 million preference shares of Rs. 100 each to M&M and one million preference shares to Mahindra Holdings and Finance Limited.

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G. Mahindra	Chairman
Mr. Arun K Nanda	Vice-Chairman
Mr. Pranab Datta	Managing Director
Mr. Uday Y. Phadke	Director
Mr. Hemant Luthra	Director
Mr. Sanjiv Kapoor	Director
Mr. Shailesh Haribhakti	Director
Mr. Anil Harish	Director

Financial Performance

In Rs Millions
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	310.3	310.3	310.3
Reserves and surplus (excluding revaluation reserves)	987.1	1079.3	1015.6
Total revenue	949.5	1006.7	896.1
Profit after tax	78.5	63.6	23.1
EPS (Rs)	2.5	1.8	0.5
NAV per share (Rs)	41.8	44.8	42.7

Information about Share Price

The securities of MGESCO are listed on BSE and NSE. Monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Month	High (Rs.)	Low (Rs.)
August 2005	239.9	174.2
September 2005	294.0	191.5
October 2005	337.7	256.5
November 2005	389.9	256.0
December 2005	463.0	363.1
January 2006	448.0	383.0

Source: www.bseindia.com

There has been no change in the capital structure of MGESCO in the last six months.

Details of public issue/ rights issue

There have been no public issue or rights issue made by MGESCO as the shares were issued and listed subsequent to the following Schemes of Arrangement:

- Scheme of Arrangement between GESCO Corporation Limited and The Great Eastern Shipping Co. Limited approved by the High Court, Mumbai, vide order dated August 26, 1999 effective April 1, 1999.

- Scheme of Arrangement between GESCO Corporation Limited and Mahindra Realty and Infrastructure Developers Limited approved by the High Court, Mumbai, vide order dated October 24, 2001 as amended on December 5, 2001 effective April 1, 2001.

Promise v/s Performance

As there has been no public issue, no promises had been made.

Mechanism for redressal of investor grievance

The Registrar & Transfer Agents (RTA) of the Company, M/s. Sharepro Services (I) Private Limited attend to correspondence with the shareholders/ investors. RTA submits its periodical report on the complaints received, resolved and pending to the company secretary & compliance officer of the company. At every Board meeting the Board reviews the status of Investor's complaints, if any. The Board has constituted a shareholder's and investor's grievance committee to look into the complaints pertaining to transfers/ transmission of shares, non-receipt of dividend / interest, and any other related matters. Typically the investor grievances are dealt within 14 days of filing the complaint. There are no complaints pending for redressal as on date.

(II) Unlisted Companies

3) Mahindra Renault Private Limited

Mahindra Renault Private Limited was promoted as a joint venture between M&M (holding 26,265,000 equity shares i.e. 51.0%) and Renault SAS (holding 25,235,000 equity shares i.e. 49.0%). It was incorporated under the laws of India on June 2, 2005. Its registered office is situated at Gateway Building, Apollo Bunder, Mumbai 400 001. It is incorporated to engage in the business of designing, developing, manufacturing, producing, assembling, selling, distributing, exporting, importing and/or marketing automotive vehicles and related parts, components, spare parts and accessories.

Board of Directors

Name	Nature of directorship/ designation
Mr. Sylvain Bilaine	Chairman
Mr. Rajesh Jejurikar	Managing Director
Mr. Uday Phadke	Director
Dr. Pawan Goenka	Director
Mr. Antoine Herteman	Director
Mr. Stephane Stoufflet	Director
Mr. Rajan Wadhera	Director

It was incorporated in the present accounting year, is in the project implementation phase and hence currently has no financial results to report.

4) Mahindra Europe Srl.

Mahindra Europe Srl. was incorporated under laws of Italy as Eurasia Motors Srl. on September 19, 2002. It became a subsidiary of Mahindra Overseas Investment Company (Mauritius) Limited on May 31, 2005 and the name was changed to Mahindra Europe Srl. Its registered office is located at Via Colli S.Paolo, 11 – 00040 Ariccia (Rome), Italy.

Mahindra Europe Srl. is an importer and distributor for Mahindra range of vehicles for Europe.

Presently Mahindra Overseas Investment Company (Mauritius) Limited, holds 80% of Mahindra Europe Srl.'s share capital, while Angelantonio Molfetta holds 15% and Luigi Molfetta 5% of the company's share capital.

Board of Directors

Name	Nature of directorship/ designation
Dr. Pawan Goenka	Chairman
Mr. Pravin Shah	Director
Mr. Zhooben Bhiwandiwalla	Director
Mr. Angelantonio Molfetta	Managing Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

The company did not have any business operations in 2002 and has no financials to report for the year ending December 31, 2002.

In Euros

	Year ending December 31, 2004	Year ending December 31, 2003
Equity capital	10,000	10,000
Reserves and surplus (excluding revaluation reserves)	(10,117)	72
Total revenue	1,639,342	481,597
Profit after tax	(10,189)	72
EPS *	-	-
NAV (Net worth) *	(117)	10,072

* The company is not required to issue equity shares. This does not include advance against share capital of Euros 10,000

In Rs. (#)

	Year ending December 31, 2004	Year ending December 31, 2003
Equity capital	565,800.0	565,800.0
Reserves and surplus (excluding revaluation reserves)	(572,419.9)	4073.8
Total revenue	92,753,970.4	27,248,758.3
Profit after tax	(576,493.6)	4073.8
EPS *	-	-
NAV (Networth) *	(6,619.9)	569,873.8

* The company is not required to issue equity shares. This does not include advance against share capital of Euros 10,000

Convenience translation at INR/Euro rate of 56.5800 as on March 31, 2005 (Source: RBI reference rate).

5) Mahindra & Mahindra South Africa (Pty) Limited

Mahindra & Mahindra South Africa (Pty) Limited was incorporated on November 22, 1996 under the laws of South Africa. Its registered office is at Virleo House, 54 de Havilland Crescent, Perseuor Technopark, Perseuor 0020, South Africa.

The company pursues business opportunities in the automobile, automobile spare parts and other related sectors. It imports M&M's vehicle and spares and sells them in South Africa. The company commenced its operations in October 2004.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	3,570,000	51.0%
African Automotive Investments Corporation (Pty) Limited	3,430,000	49.0%
Total	7,000,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Dr. Pawan Goenka	Chairman
Mr. Uday Y Phadke	Director
Mr. Pravin N. Shah	Director
Mr. Ivor Ichikowitz	Director
Mr. Moeletsi G. Mbeki	Director
Mr. Craig A. Savides	Director

Financial Performance

In Rand Million
(except per share data)

	For the year ending March 31, 2005
Equity capital	7.00
Reserves and surplus (excluding revaluation reserves)	5.6
Total revenue	42.9
Profit after tax	5.6
EPS (Rand)	0.8
NAV (Rand) per share	1.8

(Rs. in million) #
(except per share data)

Particulars	For the year ending March 31, 2005
Equity capital	49.2
Reserves and surplus (excluding revaluation reserves)	39.2
Total revenue	301.0
Profit after tax	39.2
EPS (Rs.)	5.6
NAV per share (Rs.)	12.6

Convenience translation at INR/ Rand rate of 7.0226 as on March 31, 2005 (Source: www.xe.com).

6) NBS International Limited

NBS International Limited was incorporated on December 19, 1995. The company is a wholly owned subsidiary of Mahindra Holdings and Finance Limited. Mahindra Holdings and Finance Limited presently holds the entire 50,500 equity shares in the company. Its registered office is located at Stone Building, 10, Chowpatty Sea Face, Mumbai-400007. NBS International Limited is the authorised dealer for M&M's range of vehicles & accessories.

Board of Directors

Name	Nature of directorship/ designation
Mr. Rajeev Dubey	Chairman
Mr. A. M. Choksey	Director
Mr. Rajesh Jejurikar	Director
Mr. P. N. Shah	Director
Mr. G. Seshadri	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	0.5	0.5	0.5
Reserves and surplus (excluding revaluation reserve)	6.9	5.3	3.9
Total revenue	472.2	565.3	450.6
Profit after tax	2.5	2.8	2.5
EPS (Rs)	50.1	55.2	50.2
NAV per share (Rs)	150.4	117.6	89.8

7) Mahindra International Limited

Mahindra International Limited was incorporated on June 20, 1994. It commenced business from December 09, 1998. Its name was changed to Mahindra International Private Limited on December 13, 2002. On January 9, 2006, its name was changed to Mahindra International Limited. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai - 400001. The company manufactures commercial vehicles, parts and components in India.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	50,375,600	51.0%
International Truck and Engine Corporation	48,400,000	49.0%
Total	98,775,600	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G Mahindra	Chairman
Mr. Arun P. Pande	Managing Director
Mr. Bharat N Doshi	Director
Dr. Pawan Goenka	Director
Mr. Hemant Luthra	Director
Mr. Deepak T. Kapur	Director
Mr. John P. Lamoureux	Director
Mr. Archie Massicotte	Director
Mr. Terry Endsley	Director
Mr. Waldey Sanchez	Director

Financial Performance

As on date it has not commenced its business operations and hence has no income or profits. The other financial results for the years ended March 31, 2003, 2004 are as follows

(Rs. in million)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	0.1	0.1	0.1
Reserves and surplus (excluding revaluation reserve)	-	-	-
Total revenue	-	-	-
Profit after tax	-	-	-
EPS (Rs)	-	-	-
NAV per share (Rs)	10.0	10.0	10.0

8) Mahindra Gujarat Tractor Limited

Mahindra Gujarat Tractor Limited was incorporated on March 31, 1978. Its registered office is located at Vishwamitri, Vadodara (Gujarat) 390 011. It manufactures tractors and tractor parts.

The company had made a reference to the Board for Industrial and Financial Reconstruction (BIFR) on August 20, 2002 and a revival plan has been submitted to the Government of Gujarat (GOG) which is awaiting approval. The BIFR vide its order dated July 19, 2004 declared the company as a sick industrial undertaking under section 3(1)(0) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Mahindra Gujarat Tractor Limited has submitted a Draft Rehabilitation Scheme for its revival under section 17(2) of SICA to the GOG and secured creditors of the company.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	9,181,188	60.0%
GOG	6,120,791	40.0%
Total	15,301,979	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Sanjay Lalbhai	Chairman
Mr. S. S. Wagh	Director
Mr. A. K. Rakesh	Director
Mr. Gautam V. Nagwekar	Director
Mr. Uday Y. Phadke	Director
Mr. Anjanikumar Choudhari	Director
Ms. Indira Parikh	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

In Rs Millions
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	153.0	153.0	153.0
Reserves and surplus (excluding revaluation reserves)	(411.6)	(388.4)	(359.6)
Total revenue	650.9	443.2	269.0
Profit after tax	(23.1)	(28.8)	(65.8)
EPS (Rs)	(1.8)	(2.2)	(4.6)
NAV per share (Rs)	(16.9)	(15.4)	(13.5)

9) Mahindra Shubhlabh Services Limited

Mahindra Shubhlabh Services Limited was incorporated on April 11, 2000 with its registered office at Mahindra Towers, G. M. Bhosale Marg, P.K. Kurne Chowk, Worli, RBC, Mumbai – 400 018. It operates in the field of contract farming and is a one-stop shop which provides all inputs to farmers under one roof. It is also in the business of branded pesticides and seeds, seed potato and export of fresh fruit produce.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra & Mahindra Limited	17,639,672	72.8%
International Finance Corporation	6,598,552	27.2%
Total	24,238,224	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Raghunath Murti	Chairman
Mr. Uday Phadke	Director
Mr. Manohar G. Bhide	Director
Mr. S. Durgashankar	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	242.4	242.4	114.0
Reserves and surplus (excluding revaluation reserves)	(180.3)	(167.1)	(170.6)
Total revenue	218.6	131.3	100.0
Profit after tax	(26.8)	(60.6)	(55.8)
EPS (Rs)	(1.1)	(3.1)	(4.9)
NAV per share (Rs.)	2.6	3.1	(5.0)

10) Mahindra (China) Tractor Co. Limited

Mahindra (China) Tractor Co. Limited was incorporated as a joint venture between Mahindra Overseas Investment Company (Mauritius) Limited and Jiangling Motors Company Group in China owning 80% and 20% of the company respectively. (As per Chinese law the company is under not required to issue shares. It follows a process of capital verification wherein the capital payment is verified and certified by an independent CPA firm and it is considered conclusive proof of capital contribution). It received its business license and was incorporated as a private company on January 11, 2005 under laws of Republic of China and has its registered office at Jiaoqiao, Changbei Economic Development Zone, Nanchang, Jiangxi, Peoples Republic of China, 330044. It commenced business on June 1, 2005. The company's business includes developing, manufacturing, assembling, marketing, selling and exporting of self-manufactured, locally procured and/or imported tractors and derivatives thereof, engines, generator sets, components, accessories and tractor implements, loaders, dozers and providing after sales service/ repair.

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G. Mahindra	Chairman
Mr. Avinash Datta	Managing Director
Mr. Bharat Doshi	Director
Mr. Arun Nanda	Director
Mr. Anjanikumar Choudhari	Director
Mr. B. Mishra	Director
Mr. Ranjan Pant	Director
Mr. Gautam Nagwekar	Director
Mr. V. S. Parthasarathy	Director
Mr. Jiang Yadong	Director
Mr. Qi Xiao Gang	Director

The company commenced business on June 1, 2005 and hence has no financial results to report.

11) Mahindra USA Inc.

Mahindra USA Inc. was incorporated on June 8, 1994 as a wholly owned subsidiary of M&M. Presently, M&M holds its entire share capital i.e. 45,000,000 equity shares. It commenced its business on March 15, 1995. Its registered office is located at 17723 FM 2920 Tomball Texas 77377, USA. It sells tractors, parts and accessories. It holds the wholesale distributorship in United States of America for M&M's tractors, Tong Yang Moolsan of South Korea and Mitubishi Agricultural Machinery Limited of Japan. All the tractors are sold under the Mahindra brand name.

Board of Directors

Name	Nature of directorship/ designation
Mr. Anjanikumar Choudhari	Chairman
Mr. Bharat N. Doshi	Member
Mr. Jack Goldstein	Member
Mr. Ranjan Pant	Member
Mr. V. S. Parthasarthy	Member
Mr. Sanjay Gupta	Member
Mr. Bishwambhar Mishra	Member
Mr. Derek Johannes	Member

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(US\$ in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	4.5	4.5	4.5
Reserves & surplus (excluding Revaluation Reserve)	3.6	2.5	1.6
Total revenue	123.3	101.0	78.3
Profit after tax	1.1	0.9	0.8
EPS \$	0.02	0.02	0.02
NAV per share (\$)	0.2	0.2	0.1

(Rs. in million) #
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	196.9	196.9	196.9
Reserves & surplus (excluding revaluation reserve)	156.1	107.6	70.0
Total revenue	5,393.8	4,419.2	3,427.4
Profit after tax	48.1	39.4	35.0
EPS (Rs.)	1.1	0.9	0.8
NAV per share (Rs.)	7.8	6.8	5.9

Convenience translation at INR/US\$ rate of 43.7500 as on March 31, 2005 (Source: RBI reference rate).

12) Mahindra Acres Consulting Engineers Limited

Mahindra Acres Consulting Engineers Limited was incorporated and commenced business on October 26, 1993 with its registered office located at Gateway Building, Apollo Bunder, Mumbai. It provides consulting services in the field of civil, electrical, geo-technical, hydraulics, mechanical, agricultural, aeronautical, aviation and construction engineering.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra Holdings & Finance Limited	509,993	51.0%
Acres International Limited	490,000	49.0%
Mahindra Holdings & Finance Limited jointly with its nominees	7	0.0%
Total	10,00,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. A. K. Nanda	Chairman
Mr S Venkatraman	Director
Dr Deepak Kantawala	Director
Dr A.E Zakaria Erzinciloglu	Director
Mr Alan O'Brien	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	10.0	10.0	10.0
Reserves and surplus (excluding revaluation reserves)	8.9	8.6	8.1
Total revenue	25.3	27.2	30.1
Profit after tax	0.3	0.4	0.2
EPS (Rs)	0.3	0.4	0.2
NAV per share (Rs)	18.9	18.6	18.1

13) Mahindra Holidays and Resorts India Limited

Mahindra Holidays and Resorts India Limited was incorporated as a wholly owned subsidiary of Mahindra Holdings & Finance Limited on September 20, 1996 and commenced its operations on September 20, 1996. Its registered office is at Dhun Building, 2nd Floor, 827, Anna Salai, Chennai. It provides hospitality services. The company sells long term holiday memberships and provides holidays to its members and guests at its own network of 12 domestic and 2 overseas resort locations. In addition, through its affiliation with Resort Condominium International (RCI) it is able to provide holidays on an exchange basis to its members at 3,700 holiday resorts in India and overseas.

Shareholding Pattern

Shareholder's Name	No. of Shares held	% holding
Mr. Ramesh Ramanathan	1	0.0%
Mahindra Holdings and Finance Limited	18,400,049	100.0%
Mahindra Holdings and Finance Limited jointly with others	150	0.0%
Total	18,400,200	100.0%

In addition, the company has issued 10 million preference shares to Preference Shares to Mahindra Holdings and Finance Limited.

Board of Directors

Name	Designation Held
Mr. A. K. Nanda	Chairman
Mr. Uday Y. Phadke	Director
Mr. Cyrus J. Guzder	Director
Mr. Keki M. Mistry	Director
Mr. Rohit Khattar	Director
Mr. Ramesh Ramanathan	Managing Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	184.0	184.0	184.0
Reserves and surplus (excluding revaluation reserves)	(30.7)	(123.0)	(235.4)
Total revenue	1,061.5	780.2	621.5
Profit after tax	92.2	112.3	28.0
EPS (Rs)	4.5	5.6	1.0
NAV per share (Rs)	8.3	3.3	(2.8)

14) Mahindra Holidays and Resorts USA Inc.

Mahindra Holidays and Resorts USA Inc. was incorporated on October 24, 2003 as a wholly owned subsidiary of Mahindra Holidays and Resorts India Limited. Its authorised share capital consists of 10,000 equity shares of US\$ 0.10 each. Its entire paid up share capital of 100 equity shares of US\$ 0.1 each (issued at a premium of US\$ 9.90) is held by Mahindra Holidays and Resorts India Limited. Its business operations are yet to commence. Its registered office is located at C/O- Goldstein & Wallman 233, Broadway, New York, NY-10279-0168, USA. The company is incorporated with the aim of marketing timeshare products in the United States with focus on catering to the holiday needs of the Non-Resident Indians in USA.

Board of Directors

Name	Designation Held
Mr. A. K. Nanda	Director
Mr. Ramesh Ramanathan	Director
Mr. Amar Korde	Director

15) Mahindra Infrastructure Developers Limited

Mahindra Infrastructure Developers Limited was incorporated on May 10, 2001 and commenced its business on June 21, 2001. Its registered office is located at Mahindra Towers, Dr G. M Bhosale, Worli, Mumbai - 400 018. It develops infrastructure projects. Its activities include pre-qualifying and bidding for projects, investing in and acting as consultant for arranging the financing for projects and execution, operation and maintenance thereof.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra Gesco Developers Limited (Including 6 shares held with nominees)	14,400,000	80.0%
International Finance Corporation	3,600,000	20.0%
Total	18,000,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. A. K. Nanda	Chairman
Ms Anita George	Director
Mr S Venkatraman	Director
Mr D. K. Tandon	Director
Mr Pranab Datta	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	160.0	130.0	0.5
Reserves and surplus (excluding revaluation reserves)	(1.5)	(1.9)	(2.2)
Total revenue	3.9	3.7	-
Profit after tax	0.4	0.3	(1.4)
EPS (Rs)	Nil	0.1	(28.7)
NAV per share (Rs)	9.9	9.9	(34.0)

16) Mahindra World City Developers Limited

Mahindra World City Developers Limited was incorporated and commenced business on February 19, 1997 as Mahindra Industrial Park Limited. Its name was formally changed to Mahindra World City Developers Limited on August 30, 2005. Its registered office is located at Arjay Apex Center, 1st Floor, 24 College Road, Nungambakkam, Chennai 600 006. Mahindra World City is India's first fully planned and integrated business city and the first corporate SEZ promoted through a private public partnership model.

Shareholding Pattern

Shareholder's Name	No. of shares	% holding
M/s Corbel Estates & Investments Pvt Limited	200,000	1.0%
M/s Azrael Investments Pvt Limited	1,075,000	5.4%
M/s Mahindra Holdings and Finance Limited	3,971,428	19.9%
M/s Mahindra Gesco Developers Limited	12,553,565	62.8%
Tamilnadu Industrial development corporation Limited	2,200,000	11.0%
Others	7	0.0%
Total	20,000,000	100.0%

In addition, the company has issued 6.5 mn preference shares of Rs. 100 each to Mahindra Gesco Developers Limited

Board of Directors

Name	Nature of directorship/ designation
Mr. N. Vaghul	Chairman
Mr. Arun K. Nanda	Vice Chairman
Mr. D. Rajendran	Director
Mr. Sanjiv Kapoor	Director
Mr. V. Balaraman	Director
Mr. S. Durgashankar	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	200.0	200.0	200.0
Reserves and surplus (excluding revaluation reserves)	(354.9)	(211.8)	(0.5)
Total revenue	368.1	0.4	0.1
Profit/ (loss) after tax	(143.1)	(211.3)	(0.1)
EPS (Rs)	(9.4)	(11.7)	Nil
NAV per share (Rs)	(7.7)	(0.6)	10.0

17) Mahindra World City (Jaipur) Limited

Mahindra World City Jaipur was incorporated on August 26, 2005 and commenced its business on November 14, 2005. Its registered office is located at 408, Ganapati Plaza, MI Road, Jaipur - 302001. Its business is to establish, acquire, develop and maintain industrial parks, technology parks, software parks, Special Economic Zones, Export Processing Zones, industrial areas and industrial estate for industries in India and abroad and assist and maintain organisation thereof.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra Gesco Developers Limited	499,940	100.0%
Mahindra Gesco Developers Limited jointly with others	60	0.0%
	500,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Arun K. Nanda	Chairman
Mr. Sanjiv Tyagi	Director
Mr. Basant K. Jain	Director

Financial Performance

Mahindra World City Jaipur Limited was incorporated this year and hence does not have audited financial results.

18) Mahindra Realty Limited

Mahindra Realty Limited was incorporated on September 21, 2005 and commenced its business on November 10, 2005. Its registered office is located at 5th Floor, Mahindra Towers, Dr. G.M. Bhosale Marg, Worli, Mumbai - 400018. Its business is to establish, acquire, develop and maintain residential facilities, industrial parks, technology parks, software parks, Special Economic Zones, industrial areas and industrial estate for industries and software and other knowledge based units in India and abroad and assist and maintain organisation thereof.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra Gesco Developers Limited	36,950	73.9%
Mahindra Gesco Developers Limited jointly with others	50	0.1%
Mahindra World City Developers Limited	13,000	26.0%
Total	50,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Pranab Datta	Chairman
Mr Sadasivan Krishnan	Director
Mr. Balagopal Menon	Director

Financial Performance

Mahindra Realty Limited was incorporated this year and hence does not have audited financial results.

19) Mahindra Intertrade Limited

Mahindra Intertrade Limited was earlier known as Mahindra Exports Limited which was incorporated as a wholly owned subsidiary of M&M on March 20, 1978 and commenced its business on May 5, 1978. Its name was changed to Mahindra Intertrade Limited on August 5, 1999 after the intertrade division of M&M was merged into Mahindra Exports Limited. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai - 400001. It is engaged in trading and marketing of steel products, metal & ferro alloys, auto components, agricultural implements, technical equipment, toys and apparels.

Shareholding Pattern

The company has issued 12.1 million equity shares of Rs. 10 each and 15 million shares of Rs. 3 each to M&M and one share to Mahindra Holdings & Finance Limited. In addition, its entire preference share capital (represented by 1,875,000 cumulative redeemable preference shares of Rs. 100 each) is held by M&M.

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G. Mahindra	Chairman
Mr Bharat N. Doshi	Vice Chairman
Mr. Raghunath Murti	Managing Director
Mr. A.K.Nanda	Director
Mr. Uday Y. Phadke	Director
Ms. Tarjani Vakil	Director
Mr. Zhooben Bhiwandiwalla	Director
Mr. Rajeev Dubey	Director
Dr. Pawan Goenka	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	166.0	166.0	166.0
Reserves and surplus (excluding revaluation reserve)	214.4	78.0	(15.7)
Total revenue	5,011.8	2,847.8	1,661.0
Profit after tax	195.5	140.2	63.8
EPS (Rs)	10.9	7.3	3.1
NAV per share (Rs)	22.9	14.7	9.1

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

20) Mahindra Middleeast Electrical Steel Service Centre FZC

Mahindra Middleeast Electrical Steel Service Centre FZC was incorporated as Mahindra Middleeast Electrical Steel Service Centre FZE, a wholly owned subsidiary of Mahindra Intertrade Limited on August 8, 2004. In December 2005, subsequent to Nippon Steel Corporation, Japan taking 10% equity stake in the company, the company was renamed as Mahindra Middleeast Electrical Steel Service Centre FZC. The company has established a steel service centre in Sharjah to process electric steel for its customers based in Middle East and Africa. Its registered address is P.O. Box 8114, SAIF Zone, Sharjah, United Arab Emirates.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra Intertrade Limited	900	90.0%
Nippon Steel Corporation, Japan	100	10.0%
Total	1,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Raghunath Murti	Chairman
Mr. Zhooben Bhiwandiwalla	Director
Mr. K. Chandrasekar	Director
Mr. Sumit Issar	Director

Financial Performance

	For the year ending March 31, 2005 (In Dirhams)	For the year ending March 31, 2005 (In Rupees)#
Equity capital	1,800,983	21,449,708
Reserves and surplus (excluding revaluation reserve)	(279,788)	(3,332,275)
Total revenue	160,545	1,912,091
Profit after tax	(279,788)	(3,332,275)
EPS	(23,315.7)	(275,000)
NAV per share	126,766.3	1,516,666.7

Convenience translation at INR/Dhs of 11.9100 as per market rate on March 31, 2005 (Source: M&M annual report).

21) Mahindra Steel Service Centre Limited

Mahindra Steel Service Centre Limited was incorporated on January 15, 1993 and commenced its business on February 1, 1993. Its registered office is located at Mahindra Towers, Road No. 13, Worli, Mumbai 400 018. The company processes hot rolled (HR), cold rolled (CR), cold rolled non-grain oriented (CRNO) and cold rolled grain oriented (CRGO) steel blanks, slit coils & laminations for its customers. HR & CR steel is generally used by auto and engineering industry, CRNO by home appliance industry & CRGO by transformer industry.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	3,723,874	61.0%
Metal One Corporation, Japan	2,380,832	39.0%
Total	6,104,706	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr Bharat N. Doshi	Chairman
Mr. Raghunath Murti	Managing Director
Mr. Prabal Banerji	Director
Mr. Katshuiko Shimada	Director
Mr. Yoshiaki Kakehi	Director
Mr. Takanori Higashino	Alternate Director to Mr. Katshuiko Shimada

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the Year ending March 31, 2005	For the Year ending March 31, 2004	For the Year ending March 31, 2003
Equity capital	61.0	61.0	61.0
Reserves and surplus (excluding revaluation reserves)	90.3	73.4	61.3
Total revenue	199.3	120.7	259.9
Profit after tax	25.9	18.2	19.2
EPS (Rs)	4.2	3.0	3.2
NAV per share (Rs)	24.8	22.0	20.0

22) Mahindra Automotive Steels Private Limited

Mahindra Automotive Steels Private Limited was incorporated and commenced business on August 13, 1999. The company acquired crankshaft and conrod manufacturing machinery, which is currently being refurbished and will be commissioned by April 2006. Its registered office is located at 74, Ganesh Apartment, Opp. Sitaladevi Temple, L.J. Road, Mahim (W), Mumbai – 400 016.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	8,221,926	100.0%
Mahindra Holdings & Finance Limited, jointly with others	10	0.0%
Total	8,221,936	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Hemant Luthra	Director
Mr. R. R. Krishnan	Director
Mr. S. Durgashankar	Director
Mr. Romesh Kaul	Director
Mr. Sanjay Joglekar	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

As on date it has not commenced its business operations and hence has no income or profits. The other financial results of for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs. in million)
(except per share data)

	Period Ended March 31, 2005	Period Ended March 31, 2004	Period Ended March 31, 2003
Equity capital (10,070 shares of Rs 10 per each share)	0.1	0.1	0.1
Reserves & surplus (excluding revaluation reserves)	(2.1)	(2.1)	(2.1)
NAV (Rs)	(197.6)	(195.5)	(194.0)

23) Mahindra SAR Transmission Private Limited

Mahindra SAR Transmission Private Limited was incorporated on August 27, 2004. Its registered office is located at 50/ E Bhaktinagar Industrial Estate, Rajkot - 360002. It was incorporated for manufacturing auto components. The Company is an ISO/TS-16949:2002 company as certified by TUV Stddeutschland.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	31,25,739	51.0%
SAR Auto Products Limited	30,03,061	49.0%
SAR Auto Products Limited jointly with Mr. Shreyas Virani	100	
Total	61,28,900	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Hemant Luthra	Chairman
Mr. Ramesh Virani	Vice Chairman
Mr. Shreyas Virani	Managing Director & CEO
Mr. S. Durgashankar	Director
Mr. Jonathan Mapgaonkar	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the year ending March 31, 2005
Equity capital	61.3
Reserves & surplus (excluding revaluation reserve)	116.1
Total revenue	66.6
Profit after tax	2.3
EPS (Rs.)	1.1
NAV per share (Rs.)	28.9

24) Console Estate & Investments Limited

Console Estate and Investments Limited was incorporated on October 31, 1988 as a private limited company. Its registered office is located at 74, Ganesh Apartment, Opp. Sitaladevi Temple, L.J. Road, Mahim (W), Mumbai- 400 016. It is presently engaged in trading and investment in shares.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
MUSCO	82,800	84.5%
MUSCO jointly with others	15,200	15.5%
TOTAL	98,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Dr. P.P. Mistry	Director
Mr. R. Sundaresan	Director
Mr .A. M. Palekar	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital (98,000 shares of Rs. 10/- each)	0.98	0.98	0.98
Reserves and surplus (excluding revaluation reserves)	7.5	6.7	6.3
Total revenue	1.4	1.0	0.9.
Profit after tax	0.8	0.7	0.6
EPS (Rs)	8.3	6.7	6.2
NAV per share (Rs)	86.5	78.4	74.3

On February 24, 2006 a scheme of arrangement has been sanctioned by High Court of Bombay allowing amalgamation and merger of Pranay Sheetmetal Satampings Ltd.; Console Estate and Investment Ltd. and Valueline Hotels & Resorts Ltd. with Mahindra Ugine Steel Co. Ltd.

25) Mahindra Engineering Design & Development Company Limited

Mahindra Engineering Design & Development Company Limited was incorporated on August 7, 1995 and commenced its business on April 3, 1996. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai 400 001. It provides Product Development (PD) and Research and Development (R&D) services to customers in the automotive industry. Its main activities include designing, prototyping, validation, testing, simulation, reverse engineering and tool design.

Shareholding Pattern

Name of the Shareholders	No. of Equity Shares held (Rs.10 each)	% holding
M&M	7,049,993	100.0%
M&M jointly with others	7	0.0%
Total	7,050,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Hemant Luthra	Chairman
Mr. Ulhas N. Yargop	Director
Dr. Pawan Goenka	Director
Mr. Prabal Banerjee	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(Rs. in million)
(except per share data)

	Period Ended March 31, 2005	Period Ended March 31, 2004	Period Ended March 31, 2003*
Equity capital	55.5	0.5	0.5
Reserves and surplus (excluding revaluation reserves)	(7.8)	(0.3)	(0.2)
Total revenue	16.8	0.4	NIL
Profit/(Loss) after tax	(7.5)	(0.3)	NIL
EPS (Rs)	(1.4)	(6.9)	NIL
NAV per share (Rs)	8.6	3.2	7.0

* The company had no business operations in the year ended March 31, 2003.

26) Stokes Group Limited

Stokes Group Limited was incorporated on December 12, 1990 under the laws of England. It was formerly called Jensand Holdings Limited and more formerly as Greatspirit Limited. Its registered office is located at Victor Works, Northcote Street, Walsall, West Midlands, WS28BH. It is in the business of manufacturing & selling forgings through its subsidiaries situated at Walsall and Dudley, near Birmingham, U.K.

Shareholding Pattern

Name of the Shareholders	No. of Equity Shares held	% holding
M&M	837,320	98.6%
John Young	12,000	1.4%
Total	849,320	100.0%

Board of Directors

Name	Nature of directorship/ designation
Hemant Luthra	Director
Shakti Arora	Director
Zhooben Bhiwandiwal	Director
John Young	Director

Financial Performance

(In Pound Sterling)

	Period Ended December 31, 2002	Period Ended December 31, 2003	Period Ended December 31, 2004
Equity capital	79,932	120,000	120,000
Reserves and surplus (excluding revaluation reserves)	1,854,516	2,774,448	2,774,448
Total revenue	-	-	-
Profit/(Loss) after tax	-	-	-
EPS	-	-	-
NAV per share	2.4	2.4	2.4

(In Rupees)

	Period Ended December 31, 2004	Period Ended December 31, 2003	Period Ended December 31, 2002
Equity capital	6,561,466.0	9,850,572.0	9,850,572.0
Reserves and surplus (excluding revaluation reserves)	152,233,694.9	227,749,164.9	227,749,164.9
Total revenue	-	-	-
Profit/(Loss) after tax	-	-	-
EPS	-	-	-
NAV per share	198.7	198.0	198.0

Convenience translation at INR/Pound Sterling rate of 82.0881 as on March 31, 2005 (Source: RBI reference rate).

27) Jensand Limited

Jensand Limited was incorporated on June 11, 1980 under the laws of England. Its registered office is located at Victor Works, Northcote Street, Walsall, West Midlands, WS28BH. It holds the freehold land used by its associate companies and earns rent from them. It is the holding company of Stokes Forgings Limited. Its entire share capital comprising 60,000 shares of Pound Sterling one each is held by Stokes Group Limited.

Board of Directors

Name	Nature of directorship/ designation
Hemant Luthra	Director
Shakti Arora	Director
Zhooben Bhiwandiwalla	Director
John Young	Director

Financial Performance

(In Pound Sterling)

	Period Ended December 31, 2004	Period Ended December 31, 2003	Period Ended December 31, 2002
Equity capital	60,000	60,000	60,000
Reserves and surplus (excluding revaluation reserves)	2553,891	2,431,973	2,424,073
Total revenue	539,507	684,100	650,100
Profit/(Loss) after tax	121,918	7,899	83,975
EPS	2.03	0.13	1.40
NAV per share	43.6	41.5	41.4

(In Rupees) #

	Period Ended December 31, 2004	Period Ended December 31, 2003	Period Ended December 31, 2002
Equity capital	4,925,286.0	4,925,286.0	4,925,286.0
Reserves and surplus (excluding revaluation reserves)	209,644,059.8	199,636,042.8	198,987,546.8
Total revenue	44,287,104.6	56,156,469.2	53,365,473.8
Profit/(Loss) after tax	10,008,017.0	648,413.9	6,893,348.2
EPS	166.6	10.7	114.9
NAV per share	3,576.2	3,409.4	3,398.5

Convenience translation at INR/Pound Sterling rate of 82.0881 as on March 31, 2005 (Source: RBI reference rate).

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

28) Stokes Forgings Limited

Stokes Forgings Limited was incorporated on June 10, 1939 under the laws of England. Stokes Forgings Limited was formerly called John Stokes and Sons Limited. Its registered office is located at Victor Works, Northcote Street, Walsall, West Midlands, WS28BH. It is in the business of manufacturing and selling forgings from its plant located at Walsall near Birmingham, U.K. Its entire share capital comprising 60,000 shares of Pound Sterling one each is held by Jensand Limited.

Board of Directors

Name	Nature of directorship/ designation
Hemant Luthra	Director
Shakti Arora	Director
Zhooben Bhiwandiwalla	Director
John Young	Director
Graham S. Nicholls	Director

Financial Performance

(In Pound Sterling)

	Period Ended December 31, 2004	Period Ended December 31, 2003	Period Ended December 31, 2002
Equity capital	60,000	60,000	60,000
Reserves and surplus (excluding revaluation reserves)	1,358,285	2,521,792	2,096,463
Total revenue	18,373,567	19,126,010	18,661,379
Profit/(Loss) after tax	(1,163,507)	425,329	259,303
EPS	(19.4)	7.1	4.3
NAV per share	23.6	43.0	35.9

(In Rupees) #

	Period Ended December 31, 2004	Period Ended December 31, 2003	Period Ended December 31, 2002
Equity capital	4,925,286.0	4,925,286.0	4,925,286.0
Reserves and surplus (excluding revaluation reserves)	111,499,034.9	207,009,113.9	172,094,664.4
Total revenue	1,508,251,205.3	1,570,017,821.5	1,531,877,145.5
Profit/(Loss) after tax	(95,510,079.0)	34,914,449.5	21,285,690.6
EPS	(1,591.7)	582.0	354.6
NAV per share	1,940.4	3,532.2	2,950.3

Convenience translation at INR/Pound Sterling rate of 82.0881 as on March 31, 2005 (Source: RBI reference rate).

29) Stokes Forgings Dudley Limited

Stokes Forgings Dudley Limited was incorporated on September 19, 2001 under the laws of England. It was formerly called Stokes Forgings Bromsgrove Limited. Its registered office is located at Victor Works, Northcote Street, Walsall, West Midlands, WS28BH. The company is in the business of manufacturing & selling forgings from its plant located at Dudley near Birmingham, U.K. Its entire share capital comprising two shares of Pound Sterling one each is held by Stokes Group Limited.

Board of Directors

Name	Nature of directorship/ designation
Hemant Luthra	Director
Shakti Arora	Director
Zhooben Bhiwandiwalla	Director
John Young	Director
Alan Ledbury	Director

Financial Performance

(In Pound Sterling)

	Period Ended December 31, 2004	Period Ended December 31, 2003	Period Ended December 31, 2002
Equity capital	2	2	2
Reserves and surplus (excluding revaluation reserves)	10,869	(84,180)	20,313
Total revenue	7,649,258	6,844,701	5,439,176
Profit/(Loss) after tax	95,049	(104,493)	20,313
EPS	47,524	(52,246)	10,156
NAV per share	5,435.5	(42,089.0)	10,157.5

(In Rupees) #

	Period Ended December 31, 2004	Period Ended December 31, 2003	Period Ended December 31, 2002
Equity capital	164.2	164.2	164.2
Reserves and surplus (excluding revaluation reserves)	892,215.6	(6,910,176.3)	1,667,455.6
Total revenue	627,913,055.6	561,868,500.2	446,491,623.4
Profit/(Loss) after tax	7,802,391.8	(8,577,631.8)	1,667,455.6
EPS	3,901,154.9	(4,288,774.9)	833,686.7
NAV per share	446,189.9	(3,455,006.0)	833,809.9

Convenience translation at INR/Pound Sterling rate of 82.0881 as on March 31, 2005 (Source: RBI reference rate).

30) Mahindra Holdings and Finance Limited

Mahindra Holdings and Finance Limited was incorporated as Eiger Investment & Leasing Pvt. Limited on April 27, 1985 having its registered office at Indian Mercantile Insurance Building, 31, Forbes St. Fort, Bombay. Eiger Investment & Leasing Pvt. Limited's name was changed to Mahindra Holdings & Finance Limited on March 3, 1995. Subsequently on March 3, 1995 its registered office was changed to Gateway Building, Apollo Bunder, Mumbai.

It is registered as Non Banking Financial Company under Reserve Bank of India Act, 1934 and is engaged in business of investing in group companies, providing fund support and earning dividend and/or interest.

Shareholding Pattern

The following is the shareholding of the company as on date

Names of the shareholders	No. of shares held	% holding
M&M	121,600,593	100.0%
Mahindra Intertrade Limited	100	0.0%
Total	121,600,693	100.0%

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Board of Directors

Name	Nature of directorship/ designation
Mr. Keshub Mahindra	Chairman
Mr. A. G. Mahindra	Director
Mr. A. K. Nanda	Director
Mr. Bharat N. Doshi	Director
Mr. Uday Y. Phadke	Director
Mr. Mario Nazareth	Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	1,216.0	1,216.0	1,176.0
Reserves and surplus (excluding revaluation reserves)	764.9	398.8	360.7
Total revenue	738.2	59.5	69.4
Profit after tax	620.5	38.0	(44.7)
EPS (Rs)	5.1	0.3	NIL
NAV per share (Rs)	16.3	13.3	13.1

31) Mahindra AshTech Limited

Mahindra AshTech Limited was incorporated on October 9, 1995 as Mahindra Stampings Limited. The name of the company changed to Mahindra AshTech Limited on February 25, 1999. The company issued 10 million equity shares to M&M in Fiscal 2005 and ceased to be a subsidiary of Mahindra Holdings and Finance Limited. It is in the business of turnkey contract execution in the field of ash handling plants for large fossil fuel fired boilers and travelling water screens for removing floating debris from water intake channel. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai- 400 001.

Shareholding Pattern

Names of the shareholders	No. of equity shares	% holding
Mahindra Gesco Developers Limited	1	—
M&M	10,000,000	64.5%
Mahindra Holding & Finance Limited	5,499,999	35.5%
	15,500,000	100.0%

In addition, the company has issued 1.5 million cumulative redeemable preference shares of Rs. 100 each to M&M and Mahindra Holding & Finance Limited.

Board of Directors

Name	Nature of directorship/ designation
Mr. Raghunath Murti	Chairman
Mr. S. Venkatraman	Director
Mr. Hemant Luthra	Director
Mr. Amar Banerjee	Managing Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	155.0	55.0	55.0
Reserves and surplus (excluding revaluation reserves)	(234.4)	(154.9)	(15.7)
Total revenue	273.4	222.7	315.0
Profit after tax	(79.5)	(139.3)	(64.6)
EPS (Rs)	(8.1)	(25.3)	(11.7)
NAV per share (Rs)	(5.1)	(18.2)	7.1

32) Mahindra Engineering & Chemical Products Limited

Mahindra Engineering & Chemicals Limited was incorporated under the name Indian National Diesel Engine Company on June 7, 1954 and commenced its business on November 3, 1954. The name was changed to Mahindra Engineering & Chemical Products Limited on November 25, 1981. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai – 400 001.

The company has two divisions - chemical division and engineering division. Chemical division is engaged in manufacturing & marketing of cable jointing accessories for energy sector. Engineering division manufactures material handling equipment.

Shareholding Pattern

Name of the Shareholders	No. of Equity Shares held	Percentage holding
M&M	53,78,225	99.6%
M&M jointly with others	10	0.0%
Mahindra Holdings & Finance Limited	20,237	0.4%
Total	53,98,472	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Hemant Luthra	Chairman
Mr. C. S. Devale	Executive Director
Mr. Raghunath Murti	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity Share Capital	53.9	53.9	53.9
Reserves & surplus (excluding revaluation reserves)	192.9	97.1	(886.8)
Total Revenues	588.8	512.1	417.1
Profit/(Loss) After Tax	95.8	105.9	(44.7)
EPS (Rs)	17.8	19.6	(8.3)
NAV per share (Rs.)	45.8	28.0	(154.5)

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33) Automartindia Limited

Automartindia Limited was incorporated and commenced its business as Mahindra Telecommunications Limited on December 22, 1994. The name was changed to Automartindia Limited on August 3, 2000. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai- 400 001. It facilitates the process of buying and selling used automobiles in India through a chain of owned and franchised outlets. Its supplemental service offerings include certification, finance, insurance and accessories that simplify the entire process and helps customers make an informed sales and purchase decision.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M jointly with others	7,446,658	75.9%
Sah & Sanghi Group	1,140,000	11.6%
HDFC Limited	863,333	8.8%
Others	361,999	3.7%
Total	9,811,990	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G Mahindra	Director
Mr. Hemant Luthra	Director
Mr. Arun Sanghi	Director
Mr. Sanjay Labroo	Director
Mr. N. Ram	Director
Mr. Ramesh Iyer	Director
Mr. Rajeev Dubey	Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	98.1	42.0	41.7
Reserves and surplus (excluding revaluation reserves)	(77.8)	(152.8)	(127.1)
Total revenue	1115.3	645.8	441.1
Profit after tax	(9.2)	(25.9)	(53.5)
EPS (Rs)	(1.1)	(6.2)	(12.8)
NAV per share (Rs)	3.8	(20.5)	(15.8)

34) Mahindra Overseas Investment Company (Mauritius) Limited

Mahindra Overseas Investment Company (Mauritius) Limited was incorporated on December 7, 2004 as a wholly owned subsidiary of M&M. M&M holds its entire share capital of 0.5 million shares. Its registered office is located at IFS Court, 28 Cybercity, Ebene, Mauritius. It is a holding company.

Board of Directors

Name	Nature of directorship/ designation
Mr. Couldip Basanta Lala	Director
Mr. Fareed Soreefan	Director
Mr. P.N. Shah	Director
Mr. Subramaniam Durgashankar	Director
Mr. Vankipuram Parthasarthy	Director
Mr. Zhooben Bhiwandiwalla	Director

Financial Performance

(In US Dollars)

Particulars	For the year ending March 31, 2005
Equity capital *	10,000
Reserves & surplus (excluding revaluation reserve)	35,549
Total Income	47,811
Profit after tax	35,549
EPS *	3.6
NAV per share	4.6

*excluding application money received during the current fiscal i.e. US\$ 7,990,000.

(In Rupees)#

Particulars	For the year ending March 31, 2005
Equity capital *	437,500.0
Reserves & surplus (excluding revaluation reserve)	1,555,268.8
Total Income	2,091,731.3
Profit after Tax	1,555,268.8
EPS (Rs.)*	155.5
NAV per share(Rs.)	199.3

*excluding application money received during the current fiscal i.e. US\$ 7,990,000.

Convenience translation at INR/US\$ rate of 43.7500 as on March 31, 2005 (Source: RBI reference rate).

35) Bristlecone Limited

Bristlecone Limited was incorporated on February 3, 2004 in Cayman Islands and commenced its business on May 17, 2004. Its registered office is located at M&C Corporate Services Limited PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. It is a provider of global business process and technology consulting services.

Shareholding Pattern (Equity Shares)

Names of the shareholders	No. of shares held	% holding
M&M	4,222,250	62.7%
Venture Capitalists and others	2,516,875	37.3%
Total	6,739,125	100.0%

In addition, 10,499,977 preference shares (which have equal voting rights as equity shares) of US\$ 0.001 each have been issued to M&M, Venture Capitalists and others. The combined shareholding (equity and preference shares) of M&M in the company is 83.7%.

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G Mahindra	Chairman
Mr. Bharat N. Doshi	Director
Mr. Ulhas N. Yargop	Director
Mr. Anjanikumar Choudhari	Director
Mr. Hemant Luthra	Director
Mr. Padman Ramankutty	Director, CEO
Mr. Dung Tran	Director
Mr. V. Mani	Director

Financial Performance

	For the First year of Operations ending March 31, 2005 (In US Dollar) (except per share data)	For the First year of Operations ending March 31, 2005 (In Rupees) # (except per share data)
Equity capital	6,684.6	292,452.0
Additional paid in capital	6,677,931.0	292,159,481.3
Share application money	1,600,000.0	70,000,000.0
Reserves and surplus (excluding revaluation reserves) *	(1,425,537.0)	(62,367,243.8)
Total revenue	3,731.0	163,231.3
Profit after tax	(268,675.0)	(11,754,531.3)
EPS	(0.04)	(1.8)
NAV per share	2.1	92.7

* includes amalgamation reserve of US\$ 1.2mn

Convenience translation at INR/US\$ rate of 43.75 as on March 31, 2005 (Source: RBI reference rate).

36) Bristlecone Inc

Bristlecone Inc was incorporated on May 18, 1998 under the laws of the United State of America. Its registered office is located at 2550, North First Street, Suite 301, San Jose, CA 95131, USA. It is a wholly owned subsidiary of Bristlecone Limited, and as on October 14, 2005 Bristlecone Limited held 8,492,157 equity shares and 3,615,535 preference shares of the company. The company specializes in enterprise applications and extended supply chain management. It also provides offshore application management and support services and application development and implementation services for SAP Net Weaver.

Board of Directors

Name	Nature of directorship/ designation
Mr. Ulhas N. Yargop	Director
Mr. Anjanikumar Choudhari	Director
Mr. Padman Ramankutty	Director, CEO
Mr. Zoooben Bhiwandiwalla	Director, CFO

Financial Performance

(US\$ in million)
(except per share data)

	For the period April 1, 2004 to March 31, 2005	For the period January 1, 2003 to March 31, 2004	For the period January 1, 2002 to December 31, 2002
Equity capital (including preference shares and additional paid in capital) *	12.4	6.8	6.8
Reserves and surplus (excluding revaluation reserves)	(11.1)	(6.1)	(3.2)
Total revenue	10.7	13.7	13.9
Profit after tax	(5.1)	(2.9)	0.3
EPS (\$) *	-	-	-
NAV (Networth) *	1.3	0.8	3.7

* The equity and preference share capital issued by the company are at no par value

(Rs. in million) #
(except per share data)

	For the period April 1, 2004 to March 31, 2005	For the period January 1, 2003 to March 31, 2004	For the period January 1, 2002 to December 31, 2002
Equity capital (including preference shares and additional paid in capital) *	544.1	299.1	298.7
Reserves and surplus (excluding revaluation reserves)	(487.4)	(266.2)	(138.6)
Total revenue	469.7	599.9	609.6
Profit after tax	(221.2)	(127.6)	13.6
EPS (Rs.) *	-	-	-
NAV (Networth) *	56.7	32.9	160.1

* The equity and preference share capital issued by the company are at no par value

Convenience translation at INR/US\$ rate of 43.7500 as on March 31, 2005 (Source: RBI reference rate).

37) Bristlecone (Singapore) Pte. Limited

Bristlecone (Singapore) Pte. Limited was incorporated on January 21, 2003 as Mahindra Consulting (Singapore) Pte Limited. With effect from June 15, 2004, the company changed its name to Bristlecone (Singapore) Pte. Limited. Its registered office is located at 6 Shenton Way, # 28-09 DBS Building, Tower Two, Singapore 068809. It provides software services. Bristlecone India Limited holds all of its 120,000 equity shares of Singapore \$ 1 each.

Board of Directors

Name	Nature of directorship/ designation
Mr. Anjanikumar Choudhari	Director
Mr. Zhooben Bhiwandiwalla	Director
Mr. V. Mani	Director
Mr. Lim Tiong Beng	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(In Singapore \$)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	120,000.0	50,000.0	25,000.0
Reserves and surplus (excl revaluation reserve)	70,482.0	36,886.0	10,994.0
Total Income	969,607.0	611,145.0	103,750.0
Profit after tax	33,596.0	25,892.0	10,994.0
EPS	0.3	0.5	0.4
NAV per share	1.6	1.7	1.4

(In Rupees) #

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	3,170,376.0	1,320,990.0	660,495.0
Reserves and surplus (Excl Revaluation Reserve)	1,862,120.3	974,520.7	290,459.3
Total Income	25,616,823.0	16,146,328.7	2,741,054.3
Profit after tax	887,599.6	684,061.5	290,459.3
EPS	7.4	13.7	11.6
NAV per share	42.0	46.0	38.0

Convenience translation at INR/Singapore \$ of 26.4198 as on March 31, 2005 (Source: www.xe.com).

38) Bristlecone India Limited

Bristlecone India Limited (formerly known as Mahindra Consulting Limited) was incorporated on December 10, 1991. Its name was changed to Bristlecone India Limited on August 12, 2004. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai 400 001. Presently Bristlecone Limited holds all of its 1,104,944 equity shares of Rs. 100 each of which 36 shares are held jointly with nominees. It is in the business of providing IT software services. It specializes in enterprise applications and extended supply chain management. It also provides offshore application management and support services and application development and implementation services for SAP Net Weaver.

Board of Directors

Name	Nature of directorship/ designation
Mr. Ulhas N. Yargop	Director
Mr. Anjanikumar Choudhari	Director
Mr. Zhooben Bhiwandiwalla	Director
Mr. V. Mani	Director
Mr. C. Krishnadas	Director

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	78.8	7.2	7.2
Reserves and surplus (excluding revaluation reserve)	(42.5)	27.7	54.2
Total Income	477.9	426.5	411.8
Profit after tax	(70.2)	(26.2)	20.6
EPS (Rs.)	(177.8)	(368.7)	286.2
NAV per share (Rs.)	46.1	484.7	838.7

39) Bristlecone (UK) Limited

Bristlecone UK Limited was incorporated on March 7, 1996 under the laws of England. Presently Bristlecone Limited holds all of its 1,000,000 equity shares of Pound Sterling 1 each. The company was incorporated under the name of Mahindra Intertrade (UK) Limited. Its name was changed to Bristlecone (UK) Limited through a special resolution passed on June 08, 2004. Its registered office is located at 1st Floor, Bucklersbury House, 83, Cannon Street, London. It provides IT software services.

Board of Directors

Name	Nature of directorship/ designation
Mr. C. Krishnadas	Director
Mr. Nikhil Nayak	Director

Financial Performance

(In Pound Sterling)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital*	250,000.0	250,000.0	250,000.0
Reserves and surplus (excluding revaluation reserve)	(135,885.0)	(144,871.0)	(194,906.0)
Total Income	209,852.0	737,272.0	810,068.0
Profit after tax	8,986.0	50,035.0	32,074.0
EPS	0.0	0.2	0.1
NAV per share	0.5	0.4	0.2

*1 million equity shares of Pound Sterling 1 each (Pound Sterling 0.25 per share called and paid up)

(In Rupees) #

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	20,522,025	20,522,025	20,522,025
Reserves and surplus (excluding revaluation reserve)	(11,154,541.5)	(11,892,185.1)	(15,999,463.2)
Total Income	17,266,352.0	60,521,257.7	66,496,943.0
Profit after tax	737,643.7	4,107,278.1	2,632,893.7
EPS	3.3	16.4	10.7
NAV per share	37.8	34.5	18.1

Convenience translation at INR/Pound Sterling rate of 82.0881 as on March 31, 2005 (Source: RBI reference rate).

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

40) Bristlecone GmBH

Bristlecone GmBH was incorporated on December 9, 2003 under the laws of Germany, as a wholly owned subsidiary of Bristlecone India Limited. Presently Bristlecone India Limited holds its only share i.e. 100% equity shares. The company was incorporated under the name of Mahindra Consulting GmBH. Its name was changed to Bristlecone GmBH. in September 13, 2004. Its registered office is located at Kennedyallee, 97A, 60596, Frankfurt am Main, Amtsgericht Frankfurt am Main HRB 58387. Bristlecone GmBH provides IT Software services.

Board of Directors

Name	Nature of directorship/ designation
Mr. Zhooben Bhiwandiwal	Managing Director
Mr. V. Mani	Managing Director
Mr. Nikhil Nayak	Managing Director

Financial Performance

(In Euros)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004
Equity capital	50,000.0	50,000.0
Reserves and surplus (excluding revaluation reserve)	22,478.3	148.6
Total Income	1,022,861.0	163,480.9
Profit after tax	(102,670.3)	148.6
EPS	(102,670.3)	148.6
NAV per share	72,478.3	50,148.6

(in Rupees) #

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004
Equity capital	2,829,000.0	2,829,000.0
Reserves and surplus (excluding revaluation reserve)	1,271,820.5	8,405.5
Total Income	57,873,475.4	9,249,747.6
Profit after tax	(5,809,085)	8,405.5
EPS	(5,809,085)	8,405.5
NAV per share	4,100,820.5	2,837,405.5

Convenience translation at INR/Euro rate of 56.5800 as on March 31, 2005 (Source: RBI reference rate).

41) Mahindra - BT Investment Company (Mauritius) Limited

Mahindra - BT Investment Company (Mauritius) Limited was incorporated on May 9, 2005 under the laws of Mauritius with its registered office at IFS Court, 28 Cybercity, Ebene, Mauritius. It is a holding company.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra Overseas Investment Company (Mauritius) Limited	1,368,000	57.0%
BT Holding Limited	1,032,000	43.0%
Total	2,400,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Couldip Basant Lala	Director
Mr. Fareed Soreefan	Director
Mr. Ulhas N. Yargop	Director
Mr. Zoooben Bhiwandiwalla	Director
Mr. Frederick Becker	Director
Mr. Rupert Orchard	Director

Financial Performance

Mahindra - BT Investment Company (Mauritius) Limited was incorporated this year and hence does not have audited financial results.

42) Mahindra Logisoft Business Solutions Limited

Mahindra Logisoft Business Solutions Limited was incorporated on April 12, 1999 as Logisoft Business Solutions Private Limited. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai 400 001. The company was formed as a joint venture between Mahindra Information Technology Services Limited (a subsidiary of M&M) and Nithyakalyani Investments Private Limited. Its name was changed to Mahindra Logisoft Business Solutions Limited on February 25, 2000. In Fiscal 2004, Mahindra Information Technology Services Limited merged into M&M and Nithyakalyani Investments Pvt. Limited sold its stake in the company to Mahindra Holdings and Finance Limited (another subsidiary of M&M). In May 2005, Mahindra Holdings and Finance Limited sold its stake in the company to M&M.

The company is engaged in design and development of dealership management systems and IT software services.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M (including six shares held jointly with others)	12,450,000	100.0%
Total	12,450,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Ulhas N. Yargop	Director
Mr. Vishnu K. Garg	Director
Mr. S. Durgashankar	Director
Mr. Arvind G. Tawde	Director
Mr. V. Mani	Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	79.5	79.5	24.0
Reserves and surplus (excluding revaluation reserves)	(110.2)	(118.5)	(107.5)
Total revenue	17.3	17.2	16.2
Profit after tax	8.3	(11.0)	(25.3)
EPS (Rs)	0.8	(4.5)	(31.1)
NAV per share (Rs)	1.8	0.8	(34.8)

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

43) Tech Mahindra Limited

Tech Mahindra Limited was incorporated on October 24, 1986 as Mahindra-British Telecom Limited as a joint venture between M&M and British Telecommunications Plc. Its name was changed to Tech Mahindra Limited on February 3, 2006. It commenced operations on May 8, 1987. Its registered office is situated at Gateway Building, Apollo Bunder, Mumbai – 400 001, India and the corporate office and development centre is at Sharda Centre, Erandwane, Pune – 411 004, India. It currently provides software solutions for global telecommunications industry. The company has three software development centers – one in the United Kingdom (Milton Keynes) and three in India (Mumbai, Pune and Kolkata).

Shareholding pattern

Names of the shareholders	No. of shares of Rs. 2 each held	% holding
M&M	57,600,060	51.2%
British Telecommunications plc.	43,452,635	38.7%
Mahindra-BT Investment Company Mauritius Limited	9,931,638	8.8%
Others (Public & employees)	1,456,190	1.3%
Total	112,440,523	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand Mahindra	Chairman
Mr. Vineet Nayyar	Vice Chairman, MD & CEO
Mr. Bharat N. Doshi	Director
Mr. Ulhas N. Yargop	Director
Mr. Clive Goodwin	Director
Mr. Al-Noor Ramji	Director
Mr. Arun Seth	Director
Mr. Anupam Puri	Independent Director
Dr. Raj Reddy	Independent Director
Hon'ble Akash Paul	Independent Director
Mr. Frederick Becker	Alternate to Clive Goodwin

Financial Performance

(Rs. in million)
(except per share data)

	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003
Equity capital*	203.5	202.7	202.1
Reserves and surplus (excluding revaluation reserve)	4,624.8	4,150.7	3,581.8
Total revenue	9,295.9	7,250.4	6,230.4
Profit after tax	710.9	941.3	1,715.5
EPS (Rs)	7.0	9.7	17.0
NAV per share (Rs)	47.5	42.9	37.4

*Since March 31, 2005, the equity share capital has increased to Rs. 224.8 million.

44) Tech Mahindra GmbH

Tech Mahindra GmbH was incorporated on July 18, 2001 under the laws of Germany as MBT GmbH, as a wholly owned subsidiary of Tech Mahindra Limited. Its name was changed to Tech Mahindra GmbH on February 10, 2006. Its registered office is located at Rather Straße 110 b, 40476, Düsseldorf, Germany. The company is Mahindra-British Telecom's representative in Germany and acts as service provider for sales, marketing and onsite software development and other related services.

Its share capital consists of three shares all of which are currently held by Mahindra-British Telecom Limited.

The Supervisory Board of the company comprises Mr. Vineet Nayyar, Mr. Ulhas N. Yargop and Mr. Clive Goodwin. Mr. Sonjoy Anand is the Managing Director of the company.

Financial Performance

(Euros in million)
(except per share data)

	For the years ending March 31, 2005	For the years ending March 31, 2004	For the years ending March 31, 2003
Equity capital	0.6	0.6	0.6
Reserves and surplus			
Capital Reserves	6.6	4.5	0.1
Accumulated Losses	(6.3)	(4.1)	(0.7)
Total revenue	5.2	1.3	0.1
Profit after tax	(2.2)	(3.4)	(0.6)
EPS *	-	-	-
NAV per share *	-	-	-

* All three shares of the company have different face value i.e Euros 25,000, 75,000 and 500,000 respectively.

(Rs. in million) #
(except per share data)

	For the years ending March 31, 2005	For the years ending March 31, 2004	For the years ending March 31, 2003
Equity capital	32.5	32.5	32.5
Reserves and surplus			
Capital Reserves	374.8	254.6	7.6
Accumulated Losses	(355.4)	(231.9)	(40.1)
Total revenue	295.7	71.9	7.7
Profit after tax	(123.5)	(191.8)	(33.5)
EPS *	-	-	-
NAV per share *	-	-	-

Convenience translation at INR/Euro rate of 56.5800 as on March 31, 2005 (Source: RBI reference rate)

* All three shares of the company have different face value i.e Euros 25,000, 75,000 and 500,000 respectively.

45) Tech Mahindra (Americas) Inc.

Tech Mahindra (Americas) Inc. was incorporated on November 29, 1993 as MBT International Inc. Its name was changed to Tech Mahindra (Americas) Inc. on February 17, 2006. Tech Mahindra Limited holds all of its 375,000 equity shares of US \$ 1 each. Its registered office is located at 22, Dogwood Circle, Matawan, New Jersey 07747, U.S.A and its corporate office is located at 5619, DTC Parkway, Suite # 920, Greenwood village, CO 80111, U.S.A. The company also has offices at Atlanta, Dallas and Denver. It is responsible for sales and marketing and customer management of Mahindra-British Telecom clients based in North America.

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G. Mahindra	Chairman
Mr. Vineet Nayyar	Director
Mr. Ulhas N. Yargop	Director
Mr. Clive Goodwin	Director
Mr. Al-Noor Ramji	Director

Financial Performance

(US\$ in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	0.4	0.4	0.4
Reserves and surplus (excluding revaluation reserve)	(3.8)	(2.0)	0.6
Total revenue	14.6	15.5	11.2
Profit after tax	(1.8)	(2.5)	(1.4)
EPS (US\$)	(4.8)	(6.7)	(3.6)
NAV per share (US\$)	(9.1)	(4.2)	2.5

(Rs. in million) #
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	16.4	16.4	16.4
Reserves and surplus (excluding revaluation reserve)	(165.4)	(86.0)	24.6
Total revenue	637.8	679.6	492.0
Profit after tax	(79.4)	(110.6)	(59.4)
EPS (Rs.)	(211.8)	(294.9)	(158.4)
NAV per share (Rs.)	(397.3)	(185.5)	109.4

Convenience translation at INR/US\$ rate of 43.7500 as on March 31, 2005 (Source: RBI reference rate).

46) Tech Mahindra (Singapore) Pte. Limited

Tech Mahindra (Singapore) Pte Limited was incorporated and commenced business on March 30, 2002 as MBT Software Technologies Pte. Limited, Singapore. It is a wholly owned subsidiary of Tech Mahindra Limited. Its name was changed to Tech Mahindra (Singapore) Pte. Limited effective February 20, 2006. Its registered office is located at 152 Beach Road, #32-01/04, Gateway Tower (East), Singapore 189721. Mahindra- British Telecom Limited conducts operations in Singapore and the Asia-Pacific region through MBT Software Technologies Pte Limited.

Board of Directors

Name	Nature of directorship/ designation
Mr. Sonjoy Anand	Director
Mr. Lim Tiong Beng	Director

Financial Performance

(In Singapore \$)

	For the year ending 2005	For the year ending 2004	For the year ending 2003
Equity capital	50,000.0	50,000.0	50,000.0
Reserves and surplus (excluding revaluation reserves)	424,318.0	411,976.0	385,752.0
Total revenue	1,737,222.0	1,483,724.0	1,108,088.0
Profit after tax	12,342.0	26,224.0	385,752.0
EPS	2.5	5.2	77.2
NAV per share	94.9	92.4	87.2

(In Rupees) #

	For the year ending 2005	For the year ending 2004	For the year ending 2003
Equity capital	1,320,990.0	1,320,990.0	1,320,990.0
Reserves and surplus (excluding revaluation reserves)	11,210,396.7	10,884,323.5	10,191,490.7
Total revenue	45,897,057.8	39,199,691.3	29,275,463.3
Profit after tax	326,073.2	692,832.8	10,191,490.7
EPS	65.0	138.4	2,038.3
NAV per share	2,506.3	2,441.1	2,302.5

Convenience translation at INR/Singapore \$ of 26.4198 as on March 31, 2005 (Source: www.xe.com).

47) Tech Mahindra (R&D Services) Limited

Tech Mahindra (R&D Services) Limited was incorporated on August 30, 1995 and commenced its business on October 1, 1995 as Axes Technologies (India) Private Limited. Its name was changed to Tech Mahindra (R&D Services) Pvt. Limited on February 15, 2006 and thereafter to Tech Mahindra (R&D Services) Limited on February 17, 2006. Its registered office was initially located at 4/51 Morzaria Industrial Estate, 4 Bannerghatta Road, Bangalore 560 029. On August 4, 2000 it was shifted to 9/7 Hosur Road, Bangalore 560 029.

It provides research & development, product engineering and life cycle support to leading telecom equipment manufacturers. It has telecom product and protocol specialisation.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra-British Telecom Limited	9,197,500	99.9%
Others	9,200	0.1%
Total	9,206,700	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Vineet Nayyar	Chairman and Director
Mr. Paul Pandian	Director
Mr. C. P. Gurnani	Director
Mr. Sanjay Joshi	Director
Mr. Sanjay Kalra	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(Rs. in million)
(except per share data)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	43.0	41.7	39.2
Reserves and surplus (excluding revaluation reserves)	1,001.9	861.5	699.8
Total revenue	1,177.2	1,019.3	796.1
Profit after tax	134.1	144.4	140.4
EPS (Rs)	15.6	17.9	17.3
NAV per share (Rs.)	121.6	105.6	92.3

Note: Since March 31, 2005 the equity capital has increased to Rs.46.0 million

48) Axes Technologies, Inc

Axes Technologies, Inc was incorporated on May 10, 2001 and commenced business on May 11, 2001 to provide technology staffing services to Axes Technologies India Private Limited and perform marketing, managerial, and administrative function to service its customers in the USA. Its entire equity share capital of 500,000 shares is owned by Axes Technologies (I) Pvt. Limited. Its registered office is located at 2711 Centreville Road, Suite 400, Wilmington, DE 19808.

Board of Directors

Name	Nature of directorship/ designation
Mr. Paul Pandian	Director
Mr. C. P. Gurnani	Director
Mr. Sanjay Kalra	Director

Financial Performance

(In US\$)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	5,000.0	5,000.0	5,000.0
Reserves and surplus (excluding revaluation reserves)	626,051.0	336,190.0	530,251.0
Total revenue	7,417,082.0	4,757,403.0	7,962,624.0
Profit after tax	195,800.0	163,618.0	530,251.0
EPS	0.4	0.3	1.1
NAV per share	1.3	0.7	1.1

(In Rupees) #

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	218,750.0	218,750.0	218,750.0
Reserves and surplus (excluding revaluation reserves)	27,389,731.3	14,708,312.5	23,198,481.3
Total revenue	324,497,337.5	208,136,381.3	348,364,800.0
Profit after tax	8,566,250.0	7,158,287.5	23,198,481.3
EPS	17.1	14.3	46.4
NAV per share	55.2	29.9	46.8

Convenience translation at INR/US\$ rate of 43.7500 as on March 31, 2005 (Source: RBI reference rate).

49) Axes Technologies (Asia-Pacific) Pte Limited

Axes Technologies (Asia-Pacific) Pte Limited was incorporated and commenced business on March 8, 2000. Its registered office is located at 460, Alexandra Road, # 24-05 PSA Building, Singapore 119 963. It provides technology staffing services to Axes Technologies India Private Limited and performs marketing, managerial, and administrative function to service its customers in Singapore.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Axes Technologies (I) Pvt. Limited	240,000	60.0%
Axes Technologies Inc	160,000	40.0%
Total	400,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Saeed Ullah Khan	Director
Mr. Paul Pandian	Director
Mr. Sonjay Anand	Director
Mr. Sunil Joshi	Director

Financial Performance

(In Singapore \$)

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	400,000.0	400,000.0	400,000.0
Reserves and surplus (excluding revaluation reserves)	(394,725.0)	(381,296.0)	(386,442.0)
Total revenue	68,009.0	104,698.0	72,714.0
Profit after tax	(13,429.0)	5,146.0	(119,976.0)
EPS	0.0	0.0	(0.3)
NAV per share	0.0	0.1	0.0

(in Rupees)#

Particulars	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	10,567,920.0	10,567,920.0	10,567,920.0
Reserves and surplus (excluding revaluation reserves)	(10,428,555.6)	(10,073,764.1)	(10,209,720.4)
Total revenue	1,796,784.2	2,766,100.2	1,921,089.3
Profit after tax	(354,791.5)	135,956.3	(3,169,741.9)
EPS	(0.9)	0.3	(7.9)
NAV per share	0.3	1.2	0.9

Convenience translation at INR/Singapore \$ of 26.4198 as on March 31, 2005 (Source: www.xe.com).

50) PSL Erickson Limited

PSL Erickson Limited was incorporated on February 6, 1939 as Press Syndicate Limited. It has its registered office at Gateway Building, Apollo Bunder, Mumbai- 400 001. It is engaged in the business of advertising in various media, offering client servicing, creatives in art and copy writing and production as well as event marketing, promotions and exhibitions and corporate/press relations.

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Shareholding Pattern

Name	No. of Equity Shares)	% holding
McCann Erickson Marketing Inc.	49,360	45.1%
Mahindra Holdings & Finance Limited	19,750	18.1%
Mahindra & Mahindra Contech Limited	2,125	1.9%
Others	38,140	34.9%
Total	109,375	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. A. K. Nanda	Chairman
Mrs. Roma Balwani	Director
Mrs Leena Labroo	Director
Mr Sorab Mistry	Director
Mr Francis R. Moran	Director
Mr Maxwell J. Gosling	Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	0.5	0.5	0.5
Reserves and surplus (excluding revaluation reserves)	5.5	6.9	5.7
Total revenue	0.8	3.5	18.5
Profit after tax	(1.4)	1.8	(0.03)
EPS (Rs)	(13.2)	16.9	Nil
NAV (Rs.)	55.2	68.4	57.1

51) Mahindra Sona Limited

Mahindra Sona Limited was promoted as a joint venture between M&M and Sona Koyo Steering Systems Limited. It was incorporated on September 30, 1994 and commenced business on November 21, 2004. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai 400 001. It manufactures propeller shafts for on-road and off-highway vehicles, clutch covers and assemblies and other drive line components.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M Group and Associates	1,650,000	37.5%
Sona Group and Associates	1,650,000	37.5%
Private Equity		
Khattar Holdings Pvt. Limited	578,900	13.2%
ILFS Infrastructure Equity Fund	231,600	5.3%
ICICI Securities & Finance Co. Limited	115,800	2.6%
Others	173,700	3.9%
Sub Total	1,100,000	25.0%
Total	4,400,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Anand G. Mahindra	Chairman
Dr. Surinder Kapur	Director
Mr. Hemant Luthra	Director
Mr. Sunjay J. Kapur	Director
Mr. J. V. Prabhu	Managing Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	44.0	44.0	44.0
Reserves and surplus (excluding revaluation reserves)	210.7	145.3	97.9
Total revenue	1,268.7	821.6	572.8
Profit after tax	100.4	72.2	36.7
EPS (Rs)	22.8	16.4	8.3
NAV per share (Rs)	57.9	43.0	31.3

52) Officemartindia.com Limited

Officemartindia.com Limited was incorporated on May 17, 2000 and commenced its business on August 4, 2000. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai 400001. The company was engaged in buying, selling and trading in stationery, supplies, furniture and office equipment. It also provided consultancy services, technical know how, management and other resources to its corporate customers.

In view of the losses incurred by Officemartindia.com Limited on a sustained basis, it was decided to discontinue its business activities.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	749,992	50.0%
Azrael Investments Limited	449,850	30.0%
Others	300,155	20.0%
Total	1,499,997	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr. Ulhas Yargop	Director
Mr. Rajeev Dubey	Director
Mr. Chandulal Shah	Director

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	15.0	15.0	15.0
Reserves and surplus (excluding revaluation reserve)	(18.1)	(17.7)	(12.9)
Total revenue	Nil	0.3	0.4
Profit after tax	(0.4)	(4.8)	(2.4)
EPS (Rs)	(0.3)	(3.2)	(1.6)
NAV per share (Rs)	(2.1)	(1.8)	1.4

53) Mahindra & Mahindra Contech Limited

Mahindra & Mahindra Contech Limited was incorporated on April 30, 1992 and commenced its business on May 21, 1992. Its registered office is located at Gateway Building, Apollo Bunder, Mumbai 400 001. It is mainly engaged in the business of providing consultancy & other services and providing personnel on deputation.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	35,000	23.3%
MUSCO	35,000	23.3%
Port Investment Company Limited	20,000	13.3%
Mimosa Investment Company Limited	10,000	6.7%
Ridge Investment Company Limited	25,000	16.7%
Kamet Investment Company Limited	25,000	16.7%
Others	8	0.1%
Total	150,008	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr Ravi Kulkarni	Chairman
Mr Rajeev Dubey	Director
Mr Ulhas Yargop	Director
Mr C Krishnadas	Director
Mr Zhooben Bhiwandiwalla	Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	1.5	1.5	1.5
Reserves and surplus (excluding revaluation reserve)	20.7	19.6	24.3
Total revenue	9.4	7.9	19.3
Profit after tax	1.1	(4.7)	1.6
EPS (Rs)	7.5	(31.6)	10.3
NAV per share Rs)	148.3	140.8	172.3

54) Indian NGOs.com Private Limited

Indian NGOs.com Private Limited was incorporated and commenced business on April 11, 2000. Its registered office is located at 6, Devndra Apartment, Ghantali, Naupada, Thane, 400602. It provides information and research on Non Governmental Organisations (NGOs), social responsible corporates, funding agencies, government policies and schemes and NRIs. The company promotes sustainable business partnerships between corporates and NGOs and other stakeholders.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
M&M	50,000	10.0%
Sanjay Bapat and family	425,000	85.0%
Bobby Sista	25,000	5.0%
Total	500,000	100.0%

Board of Directors

Name	Nature of directorship/ designation
Mr Sanjay Bapat	Managing Director
Ms Rohini Bapat	Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending March 31, 2005	For the year ending March 31, 2004	For the year ending March 31, 2003
Equity capital	5.0	5.0	5.0
Reserves and surplus (excluding revaluation reserve)	1.0	0.6	0.6
Total revenue	2.4	1.9	1.1
Profit after tax	0.3	0.4	(0.9)
EPS (Rs)	0.7	0.8	(2.0)
NAV per share Rs)	11.9	11.3	10.4

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

55) Owens Corning India Limited

Owens Corning India Limited was incorporated on July 5, 1995 as Owens Corning India Private Limited. Its registered office is located at Ground Floor, Mahindra Towers, Road No. 13, Worli, Mumbai 400 018. The company is engaged in the manufacturing, importing, exporting and selling of glass fibre products.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
IPM Inc.	78,487,796	60.00%
Mahindra Holding and Finance Limited	28,124,794	21.50%
Archway Investments Limited	12,100,202	9.25%
IL&FS Trust Company Limited	12,100,203	9.25%
Initial Subscriber to the Memorandum and Articles of Association	2	0.0%
Total	130,812,997	100.00%

Board of Directors

Name	Nature of directorship/ designation
Mr. Satish G. Kulkarni	Managing Director
Mr. Arun K. Nanda	Director
Mr. Santosh Senapati	Director
Mr. Steven Novak	Director
Mr. Charles E. Dana	Director
Mr. Steve Zirkel	Director

Note: M&M has right to appoint one more Board member

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	1,308.1	1,308.1	1,308.1
Reserves and surplus (excluding revaluation reserve)	908.5	564.5	281.5
Total revenue	2,441.5	2,379.2	2,005.7
Profit after tax	344.0	283.1	14.4
EPS (Rs)	2.6	2.2	0.1
NAV per share (Rs)	16.9	14.3	12.2

56) Plexion Technologies (India) Private Limited

Plexion Technologies (India) Private Limited was incorporated on September 25, 2000. Its registered office is located at Rockline Centre, 2nd Floor, # 54, Richmond Road, Bangalore – 560 025. The company is engaged in the business of information technology enabled engineering services in the areas of CAD / CAE / EDM PDM services in the automotive sector and providing design and manufacturing activities in the aerospace sector.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra & Mahindra Limited	3,957,338	87.88%
Cyrus D Driver (Nominee of Plexion Mauritius)	20	0.00%
Management & Employees	545,653	12.12%
Total	4,503,011	100.00%

Board of Directors

Name	Nature of directorship/ designation
Mr. Hemat Luthra	Chairman
Dr. M.K. Padmanabhan	Whole-time Director
Dr. Dilip H Bonde	Whole-time Director
Dr. Pawan Kumar Goenka	Director
Mr. Ulhas N Yargop	Director
Mr. Prabal Banerjee	Director

Financial Performance

(Rs. in million)
(except per share data)

	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	39.57	33.79	29.28
Reserves and surplus (excluding revaluation reserve)	5.26	(1.78)	(1.04)
Total revenue	68.86	37.46	20.75
Profit after tax	(21.86)	(23.3)	(51.94)
EPS (Rs)	(5.63)	(7.28)	(17.74)
NAV per share Rs)	11.33	9.47	9.64

57) Plexion Technologies (U.K.) Limited

Plexion Technologies (U.K.) Limited was incorporated on November 24, 2000. Its registered office is located at Atrium Court, The Ring, Bracknell, Berkshire RG12 1BW, United Kingdom. The company is engaged in the business of information technology enabled engineering services in the areas of CAD / CAE / EDM PDM services in the Automotive sector to cater the needs in UK & France. Presently, Plexion Technologies (India) Private Limited holds its entire share capital i.e. 65,000 equity shares of Pound Sterling 1 each. Presently, Dr. M.K. Padmanabhan is holding the designation of director in the company.

Financial Performance

(In Pound Sterling)

Particulars	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	65,000	65,000	65,000
Reserves & surplus (excluding Revaluation Reserve)	11,000	(17,000)	(52,000)
Total revenue	802,000	599,000	139,000
Profit after tax	28,000	35,000	(52,000)
EPS	0.44	0.54	(0.80)
NAV per share (\$)	1.18	0.74	0.20

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(In Rupees)#

Particulars	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	5,335,726.5	5,335,726.5	5,335,726.5
Reserves & surplus (excluding revaluation reserve)	902,089.1	(1,395,497.7)	(4,268,581.2)
Total revenue	65,834,656.2	49,170,771.9	11,410,245.9
Profit after tax	22,984,66.8	29,00,835	(4,268,581.2)
EPS	36.12	44.28	(65.67)
NAV per share (Rs.)	96.86	60.75	16.42

Convenience translation at INR/Pound Sterling rate of 82.0881 as on March 31, 2005 (Source: RBI reference rate).

58) Plexion Technologies Inc.

Plexion Technologies Inc. was incorporated on December 2, 2000. Its registered office is located at 39500, Orchard Hill Place, Suite 100, MI 48375, USA. The company is Plexion Technologies Inc. is engaged in the business of information technology enabled engineering services in the areas of CAD / CAE / EDM PDM services in the Automotive sector to cater the needs in USA. Presently, Plexion Technologies (India) Private Limited holds its entire share capital i.e. 590 equity shares of US\$ 1,000 each.

Shareholding Pattern

Names of the shareholders	No. of shares held	% holding
Mahindra & Mahindra Limited	3,957,338	87.88%
Cyrus D Driver (Nominee of Plexion Mauritius)	20	0.00%
Management & Employees	545,653	12.12%
Total	4,503,011	100.00%

Board of Directors

Name	Nature of directorship/ designation
Dr. M.K. Padmanabhan	Director
Dr. Dilip H Bonde	Director

Financial Performance

(in US\$)

Particulars	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	590,000	485,000	360,000
Reserves & surplus (excluding Revaluation Reserve)	(275,000)	(374,000)	(382,000)
Total revenue	1,340,000	685,000	254,000
Profit after tax	99,000	8,000	(236,000)
EPS \$	166.96	17.32	(656.92)
NAV per share (\$)	533.37	229.23	49.38

(in Rs.) #

Particulars	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	25,812,500	21,218,750	15,750,000
Reserves & surplus (excluding revaluation reserve)	(12,031,050)	(16,362,500)	(16,712,500)
Total revenue	58,625,000	29,968,750	11,112,500
Profit after tax	4,331,250	350,000	(10,325,000)
EPS (Rs.)	7304.5	757.75	(28,740.25)
NAV per share (Rs.)	23,334.94	10028.82	2160.38

Convenience translation at INR/US\$ rate of 43.7500 as on March 31, 2005 (Source: RBI reference rate).

59) Plexion Technologies GmbH

Plexion Technologies GmbH was incorporated on September 14, 2001. Its registered office is located at Niedenau 39, 60325 Frankfurt am Main, Germany. The company is engaged in the business of information technology enabled engineering services in the areas of CAD / CAE / EDM PDM services in the automotive sector to cater the needs in Germany. Presently, Plexion Technologies (India) Private Limited holds its entire share capital i.e. 59,000 equity shares of Euro 1 each. Presently, Mr. Vijay Verma is holding the designation of managing director in the company.

Financial Performance

(In Euros)

Particulars	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	59,000	25,000	25,000
Reserves & surplus (excluding Revaluation Reserve)	(11,000)	(14,000)	10,000
Total revenue	356,000	340,000	343,000
Profit after tax	3,000	(24,000)	(19,000)
EPS \$	0.05	(0.95)	0.75
NAV per share (\$)	0.81	0.44	1.39

(in Rupees) #

Particulars	For the year ending December 31, 2004	For the year ending December 31, 2003	For the year ending December 31, 2002
Equity capital	3,338,220	1,414,500	1,414,500
Reserves & surplus (excluding revaluation reserve)	(622,380)	(792,120)	(565,800)
Total revenue	20,142,480	19,237,200	19,406,940
Profit after tax	169,740	(1,357,920)	(1,075,020)
EPS (Rs.)	2.83	(53.75)	42.44
NAV per share (Rs.)	45.83	24.9	78.65

Convenience translation at INR/Euro rate of 56.5800 as on March 31, 2005 (Source: RBI reference rate).

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III Companies under Liquidation

60) Machinery Manufacturers Corporation Limited

Machinery Manufacturers Corporation Limited has been directed for winding up vide order dated April 26, 1989 by the High Court of Judicature at Mumbai.

61) Montreal Engineering International Limited

Montreal Engineering International Limited is under Members' Voluntary winding up which commenced on December 14, 1979.

62) Triton Overwater Transport Agency Limited

Triton Overwater Transport Agency Limited was in the business of providing ferry water hovercraft services and its operations were rendered unviable due to a variety of reasons including the lack of adequate infrastructure at landing points, suspension of services during monsoons and high operational costs. The company is under liquidation.

IV Ventures from which M&M has disassociated during the last three years

In keeping with the M&M Group strategy to concentrate on its core business, shareholding in the following companies have been diluted/ divested.

63) HDFC Realty Limited

64) Jayem Automotives Limited

65) Ford India Private Limited

66) Ford Credit Kotak Mahindra Limited

Pursuant to this decision:

- In March 2003, M&M sold its entire shareholding in HDFC Realty Limited to Housing Development & Finance Corporation Limited.
- In September 2004, M&M sold 3,49,999 equity shares out of 3,50,000 equity shares of Rs. 10 each held in Jayem Automotives Limited.
- In March 2005, M&M sold its entire shareholding in Ford India Private Limited to Ford Motor Company, USA and terminated the Joint Venture Agreement.
- Consequent upon sale of its shareholding in Ford India Private Limited, the investment in Ford Credit Kotak Mahindra Limited was considered as non-core investments and, therefore, in October 2005, M&M sold its entire shareholding in Ford Credit Kotak Mahindra Limited to Ford Credit International Inc.

RELATED PARTY TRANSACTIONS

The statement of related party disclosures of our Company as at and for the financial years ended March 31, 2002 to 2005 and period ended December 31, 2005 are as set out below:

A. The following are the related parties as per Accounting Standard 18 "Related Party Disclosure"

Holding Company :	Mahindra & Mahindra Limited
Subsidiary Company :	Mahindra Insurance Brokers Limited (w.e.f. April 07, 2004)
Company under control of Holding Company:	Mahindra Construction Company Limited (up to March 31, 2003)
Fellow subsidiary Companies :	As per list given below
Automartindia Limited	Mahindra Holidays & Resorts India Limited
Bristlecone (Singapore) Pte. Limited (w.e.f. February 21, 2003) (earlier known as Mahindra Consulting (Singapore) Pte. Ltd.)	Mahindra Holidays & Resorts USA Inc. (w.e.f. November 04, 2003)
Bristlecone (UK) Limited (earlier known as Mahindra Intertrade (UK) Ltd.)	Mahindra Infrastructure Developers Limited
Bristlecone GmbH (w.e.f. December 09, 2003) (earlier known as MBT PTE – Singapore)	Mahindra Intertrade Limited
Bristlecone Inc. (w.e.f. May 17, 2004)	Mahindra Logisoft Business Solutions Limited
Bristlecone India Limited (earlier known as Mahindra Consulting Ltd.)	Mahindra SAR Transmission Pvt. Limited (w.e.f. January 14, 2005)
Bristlecone Limited Cayman Islands (w.e.f. May 17, 2004)	Mahindra Shubhlabh Services Limited
Console Estate & Investments Limited (w.e.f. June 21, 2005)	Mahindra Steel Service Centre Limited
Mahindra & Mahindra South Africa (Pty) Limited (w.e.f. October 20, 2004)	Mahindra USA, Inc
Mahindra Acres Consulting Engineers Limited	Mahindra MiddleEast Electrical Steel Service Center (FZE) (w.e.f. August 08, 2004)
Mahindra Ashtech Limited	MBT GmbH
Mahindra Engineering & Chemicals Products Limited	Mahindra-British Telecom Limited
Mahindra Engineering Design & Development Company Limited (w.e.f. December 27, 2004)	Mahindra Overseas Investment Company (Mauritius) Limited (w.e.f. December 24, 2004)
Mahindra Gesco Developers Limited (w.e.f. December 14, 2001) (earlier known as GESCO Corporation Ltd.)	MBT International Inc
Mahindra Gujarat Tractor Limited	.
Mahindra Holdings & Finance Limited	MBT Software Technologies Pte Ltd. (w.e.f. April 30, 2002) (earlier known as MBT PTE – Singapore)
	Mahindra (China) Tractor Company Limited (w.e.f. May 13, 2005)

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NBS International Limited Mahindra Automotive Steels Private Limited (w.e.f. May 27, 2005) Mahindra Europe S.r.l. (w.e.f. May 30, 2005) Mahindra – BT Investment Company (Mauritius) Limited (w.e.f. May 09, 2005) Mahindra Consulting Inc. (upto May 31, 2004) Mahindra Eco Mobiles Ltd. (upto June 30, 2003) Mahindra Realty & Infrastructure Developers Ltd. (upto April 01, 2002) Mahindra Entertainment Corporation Ltd. (upto April 01, 2002) Mega One Stop Farm Services Ltd. (upto March 20, 2002) Mahindra Alternative Technologies Ltd. (upto March 31, 2002) Rathna Bhoomi Enterprises Ltd. (upto March 28, 2002) Mahindra International Pvt. Ltd. (w.e.f. 01st November 2005) Mahindra Renault Pvt. Ltd. (w.e.f. 05th August 2005) Axes Technologies India (Private) Ltd. (w.e.f. 20th November 2005)	Mahindra Ugine Steel Company Limited (w.e.f. June 21, 2005) Mahindra World City Developers Ltd. (w.e.f. September 22, 2004) Mahindra World City (Jaipur) Ltd. (w.e.f. August 26, 2005) Mahindra Realty Ltd. (w.e.f. September 21, 2005) Mahindra Information Technology Services Ltd. (upto June 30, 2003) Mahindra Sintered Products Ltd. (upto June 30, 2002) Mahindra Auto Specialities Ltd. (upto March 31, 2002) E-Mahindra Solutions Ltd. (upto March 31, 2002) Mriyalguda Farm Solutions Ltd. (upto March 20, 2002) Kota Farm Services Ltd. (upto March 20, 2002) GESCO Corporation South Ltd. (upto March 27, 2002) Axes Technologies Inc. (w.e.f. 20th November 2005) Axes Technologies (Asia-Pacific) Pte. Ltd. (w.e.f. 20th November 2005)
Key Management Personnel : Mr. Ramesh Iyer (Managing Director)	

B The following transactions were carried out by the Company with the above parties:

Related Party Disclosures

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Holding Company:					
Mahindra & Mahindra Limited					
(a) Income earned:					
Hire Purchase / Lease / Loan income	15.3	14.6	20.2	5.4	0.0
Other income	0.0	0.0	0.0	8.6	15.4
(b) Expenses:					
Interest	9.1	17.7	29.1	31.4	18.5
(c) Purchase of shares:	0.0	0.0	0.0	0.4	0.0
(d) Finance:					
Non Convertible Debentures placed	50.0	105.9	357.1	360.7	0.0
Unsecured Bonds placed	40.0	40.1	40.0	40.1	452.7
Inter Corporate Deposits taken	60.0	0.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease	55.4	17.8	4.3	0.0	0.0
Dividend paid	0.0	70.2	123.5	200.0	208.3
(e) Other transactions:					
Reimbursement made to parties	5.9	7.2	6.9	2.9	2.5
Reimbursement from parties					
(f) Rights Issue of Share Capital:	0.0	0.0	0.0	470.6	0.0
(g) Balances outstanding at the year end:					
- Receivables	0.6	0.0	0.0	1.1	1.0
- Payables	0.5	1.7	2.8	33.0	32.0

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Subsidiary Company:					
Mahindra Insurance Brokers Limited					
(a) Income earned:					
Hire Purchase / Lease / Loan income	0.0	0.0	0.0	0.0	0.0
Other income	0.0	0.0	0.0	1.0	1.8
(b) Expenses:					
Interest	0.0	0.0	0.0	0.2	0.4
Other expenses	0.0	0.0	0.0	13.2	15.5
(c) Purchase of shares:	0.0	0.0	0.0	4.0	0.0
(d) Finance:					
Inter Corporate Deposits taken	0.0	0.0	0.0	4.0	29.4
Inter Corporate Deposits given	0.0	0.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease	0.0	0.0	0.0	0.0	0.0
(e) Other transactions:					
Reimbursement made to parties	0.0	0.0	0.0	0.0	0.0
Reimbursement from parties	0.0	0.0	0.0	1.4	0.6
(f) Balances outstanding at the year end:					
- Receivables	0.0	0.0	0.0	2.4	1.5
- Payables	0.0	0.0	0.0	1.3	7.1
Fellow Subsidiaries:					
(a) Income earned:					
Hire Purchase / Lease / Loan income					
Mahindra Shubhlabh Services Ltd.	0.5	0.6	0.6	0.5	0.2
Mahindra Ashtech Ltd.	0.1	0.1	0.2	0.2	0.0
Mahindra Consulting Ltd.	5.5	5.5	2.8	0.8	0.0
Mahindra Logisoft Business Solution Ltd.	2.1	2.1	0.7	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	6.1	1.1	0.0	0.0	0.0
Mriyaguda Farm Solutions Ltd.	0.1	0.0	0.0	0.0	0.0
Kota Farm Services Ltd.	0.1	0.0	0.0	0.0	0.0
GESCO Corporation Ltd.	0.1	0.0	0.0	0.0	0.0

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Other income					
Automartindia Ltd.	0.0	3.6	5.1	0.8	0.0
Mahindra Intertrade Ltd.	0.0	0.0	0.1	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	3.3	1.7	0.0	0.0	0.0
Mahindra Information Technology Services Ltd.	0.1	0.0	0.0	0.0	0.0
(b) Expenses:					
Interest					
Mahindra Holdings & Finance Ltd.	1.1	0.6	0.4	0.5	0.1
Mahindra Infrastructure Developers Ltd.	0.0	0.0	0.5	0.0	0.0
Mahindra Sintered Products Ltd.	4.1	1.1	0.0	0.0	0.0
Mahindra Engg & Chemical Products Ltd.	1.7	0.0	0.0	0.0	0.0
Mahindra Intertrade Ltd.	0.0	0.3	0.0	0.0	0.5
NBS International	0.0	0.1	0.0	0.0	0.0
Mahindra Information Technology Services Ltd.	0.0	0.0	0.0	0.0	0.0
Mahindra Auto Specialities Ltd.	0.4	0.0	0.0	0.0	0.0
Other expenses					
NBS International	0.0	0.1	0.1	0.2	0.0
(c) Finance:					
Inter Corporate Deposits taken					
Mahindra Holdings & Finance Ltd.	2.0	15.0	12.7	9.1	0.0
Mahindra Sintered Products Ltd.	45.0	0.0	0.0	0.0	0.0
Mahindra Engg & Chemical Products Ltd.	27.5	0.0	0.0	0.0	0.0
Mahindra Auto Specialities Ltd.	5.0	0.0	0.0	0.0	0.0
Inter Corporate Deposits given					
Automartindia Ltd.	0.0	40.7	31.4	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	22.1	0.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease					
Mahindra Shubhlabh Services Ltd.	1.9	1.4	0.8	0.4	0.3
Mahindra Consulting Ltd.	9.1	2.7	0.1	0.0	0.0
Mahindra Logisoft Business Solution Ltd.	2.9	0.6	0.0	0.0	0.0
Mahindra Ashtech Ltd.	0.5	0.1	0.0	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	0.7	0.0	0.0	0.0	0.0
Kota Farm Services Ltd.	0.5	0.0	0.0	0.0	0.0
Mriyalguda Farm Solutions Ltd.	0.8	0.0	0.0	0.0	0.0

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
(d) Balances outstanding at the year end:					
- Receivables					
Mahindra Logisoft Business Solution Ltd.	0.1	0.2	0.0	0.0	0.0
Mahindra Consulting Ltd.	1.5	0.0	0.0	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	0.0	0.0	0.0	0.0	0.0
- Payables					
Mahindra Ashtech Ltd.	0.0	0.0	0.0	0.0	0.0
NBS International	0.0	0.0	0.1	0.0	0.0
Mahindra Consulting Ltd.	0.0	0.1	0.0	0.0	0.0
Mahindra Eco Mobiles Ltd.	0.1	0.1	0.0	0.0	0.0
Kota Farm Services Ltd.	0.0	0.0	0.0	0.0	0.0

Company under the Control of Holding company

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Mahindra Construction Company Limited					
(a) Income earned:					
Hire Purchase / Lease / Loan income	4.7	0.0	0.0	0.0	0.0
Other income	0.0	0.0	0.0	0.0	0.0
(b) Expenses:					
Interest	0.0	0.0	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0	0.0	0.0
(c) Purchase of shares:	0.0	0.0	0.0	0.0	0.0
(d) Finance:					
Inter Corporate Deposits taken	0.0	0.0	0.0	0.0	0.0
Inter Corporate Deposits given	10.0	10.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease	8.1	0.0	0.0	0.0	0.0
(e) Other transactions:					
Reimbursement made to parties	0.0	0.0	0.0	0.0	0.0
Reimbursement from parties	0.0	0.0	0.0	0.0	0.0
(f) NPA Provisions:	32.4	44.0	0.0	0.0	0.0
(g) Balances outstanding at the year end:					
- Receivables	27.5	33.9	0.0	0.0	0.0
Lease					
Hire Purchase					
- Payables	0.0	0.0	0.0	0.0	0.0
Key Management Personnel:					
Remuneration	3.1	2.9	5.0	5.4	2.9

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend declared by us during the last five Fiscal years and for the period ended December 31, 2005 have been presented below.

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Dec 2005
Face value of Equity Shares (Rs. per share)	10	10	10	10	10	10
Dividend (Rs. in million)	48.5	60.6	121.2	169.7	212.3	105.2
Dividend Tax (Rs. in million)	4.9	4.9	7.8	21.7	28.8	14.8
Dividend per Equity Share (Rs.)	0.8	1.0	2.0	2.8	3.5	1.5
Dividend Rate (% of paid up capital)	8.0	10.0	20.0	28.0	35.0	15.0

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL STATEMENTS

1. Auditors Report dated February 3, 2006
2. Unconsolidated Restated Financial Statements of Mahindra & Mahindra Financial Services Limited as of and for the years ending March 31, 2001, 2002, 2003, 2004, 2005 and for the period ending December 31, 2005 and the notes thereto
 - a. Statements of Profits and Losses, as restated
 - b. Statements of Assets and Liabilities, as restated
 - c. Cash Flow Statement
 - d. Notes to the Accounts
 - e. Related Party Disclosures
3. Other supplementary information for Mahindra & Mahindra Financial Services Limited as of and for the years ending March 31, 2001, 2002, 2003, 2004, 2005 and for the period ending December 31, 2005
 - a. Significant Accounting Policies
 - b. Capitalisation Statement
 - c. Tax Shelter Statement
 - d. Details of Dividend Declared
4. Auditors Report dated February 3, 2006
5. Consolidated Restated Financial Statements of Mahindra & Mahindra Financial Services Limited as of and for the years ending March 31, 2001, 2002, 2003, 2004, 2005 and for the period ending December 31, 2005 and the notes thereto
 - a. Consolidated Statement of Profits and Losses, as restated
 - b. Consolidated Statement of Assets and Liabilities, as restated
 - c. Consolidated Cash Flow Statement
 - d. Consolidated Notes to Accounts

AUDITOR'S REPORT

To

The Board of Directors
Mahindra & Mahindra Financial Services Ltd.
Mumbai

In terms of the appointment for the purpose of certification of the financial information of **Mahindra & Mahindra Financial Services Ltd.** ('the Company') annexed to this report, which is required to be prepared in accordance with Part II of Schedule II to the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines'), issued by Securities and Exchange Board of India ('SEBI') on 19 January 2000 in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992, as amended from time to time, we state as follows:

The financial information referred to in this report is proposed to be included in the Offer Document of the Company in connection with proposed public issue and sale of equity shares.

We have examined the annexed restated statements of assets and liabilities of the Company as at 31 December 2005, 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001 and the annexed restated statements of Profit and loss for each of the nine-months period / years ended on those dates ('the summary financial statements')

The summary financial statements have been extracted from the Financial Statements for the nine months period ended 31 December 2005 and years ended 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001, which were audited by us.

In accordance with the requirements of Clause B of Part II of Schedule II to the Companies Act, 1956 and SEBI (Disclosure and Investor Protection) Guidelines, 2000, we have examined the following:

1. The restated audited Profit and Loss account of the Company (**Annexure I**) for the nine months period ended 31 December 2005 and years ended 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001; the Statements of Assets and Liabilities (Balance Sheets) of the Company (**Annexure II**) for the period / years ending as on the respective dates, the Cash flow statements for the period / years ending on respective dates (**Annexure III**) and the specified ratios for the respective period / years (**Annexure IV**).
2. Statement of 'Related Party Disclosure' for the nine months period ended 31 December 2005 and financial years ended 31 March 2005, 31 March 2004, 31 March 2003, and 31 March 2002; as extracted from the audited financial statements for the respective period / years. (**Schedule i to Annexure II**)
3. Statement of 'Contingent Liabilities' for the nine months period ended 31 December 2005 and financial years ended 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001; as extracted from the audited financial statements for the respective period / years and restated as required by Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets. (**Schedule ii to Annexure II**)
4. The significant accounting policies as of the nine-months period ended 31 December 2005 (**Annexure V(a)**) and Significant Notes to Accounts for the years 2001, 2002, 2003, 2004, 2005 and nine-months period ended 31 December 2005. (**Annexure V(b)**), Notes to items not restated (**Annexure V(c)**), Statement of changes in Significant Accounting Policies (**Annexure V(d)**) and Statement of changes in activities of the company having significant effect on the profit and loss account (**Annexure V(e)**).
5. The capitalization statement as at 31 December 2005 (**Annexure VI**)
6. The Tax Shelter statement for each of the financial years ended 31 March 2005, 31 March 2004, 31 March 2003, 31 March 2002 and 31 March 2001. (**Annexure VII**)
7. Dividends declared by the Company in respect of five consecutive financial years ending as on 31st March 2005 and nine months ended December 31, 2005 as set out in (**Annexure VIII**).

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

On the basis of our examination of the above referred financial information we state as follows:

1. With respect to the restatement of Financial Statements we have taken a view that:
As per the SEBI Guidelines adjustments to Profit and Loss account are required to be done in respect of following items, which are disclosed in the audited financial statements of the respective years:
 - a. Changes in accounting policies,
 - b. Prior period items,
 - c. Rectification of incorrect accounting policies, and
 - d. Material amounts relating to the adjustments for previous years identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which event triggering profit or loss occurred.
2. The summary statements have been restated with retrospective effect wherever possible and / or appropriate to reflect the significant accounting policies adopted by the Company as at 31 December 2005, (except as detailed in Annexure V(c) in respect of which no adjustments could be carried out as the consequential effects could not be ascertained on a retrospective basis)

The Company's management is responsible for the preparation of the restated summary financial statements. Our responsibility is to report based on the work done. We have performed such tests and procedures, which, in our opinion, were necessary for our reporting to you. These procedures include comparison of the annexed financial information with the Company's audited financial statements. Based on such procedures carried out by us and review of the records produced to us and the information and explanations given to us by the Company's management, and our comments in the foregoing paragraphs, we confirm that nothing has come to our attention to show non-compliance with the SEBI Guidelines.

This report is intended solely for your information and for the Company to comply with the provisions of the SEBI Guidelines and may not be suitable for any other purpose. The report is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours Sincerely,

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

Padmini Khare Kaicker
Partner
Membership Number: 44784

Dated: 3 February 2006

Annexure I: Statement of Profits and Losses, as Restated

(Rs. Millions)

	Sch.	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ended December 31, 2005
Income							
Interest Earned	1	1,138.0	1,711.5	2,243.3	2,787.0	3,770.0	3,660.1
Lease Rentals		224.8	140.1	83.4	28.0	6.0	0.7
Income from Securitisation @		0.0	30.9	106.4	146.6	193.3	251.9
Other Income	2	23.3	25.0	26.5	52.0	78.3	70.3
Total		1,386.1	1,907.5	2,459.6	3,013.6	4,047.6	3,983.0
Expenditure							
Interest	3	642.7	725.6	832.5	929.3	1,283.7	1,479.1
Bank charges		18.5	20.2	29.1	40.5	48.2	38.5
Commission & Brokerage		39.4	27.4	103.3	139.5	182.9	150.9
Staff Costs	4	65.5	89.0	124.2	180.0	271.4	284.3
Provisions for Non Performing Assets/Bad Debts/Loss on terminations	5	157.0	388.3	395.8	414.0	560.0	631.7
Depreciation and Amortisation		179.7	121.9	87.9	50.0	38.5	36.1
Administrative Expenses	6	78.6	104.0	166.1	241.6	334.8	435.7
Total		1,181.4	1,476.4	1,738.9	1,994.9	2,719.5	3,056.3
Profit before tax		204.7	431.1	720.7	1,018.7	1,328.1	926.7
Provision for Taxes/Current Tax		96.5	220.9	352.2	419.2	558.4	399.9
Provision for Fringe Benefit Tax		0.0	0.0	0.0	0.0	0.0	10.2
Deferred Tax		(17.4)	(57.8)	(73.3)	(51.4)	(53.0)	(94.1)
Net Profit		125.6	268.0	441.8	650.9	822.7	610.7

@ of non-recurring nature

Prior period items have been adjusted in the relevant years to which they pertain by restating items of income or expenditure.

(Rs. Millions)

Prior period items in the original financial statements were:

2001-2002	Excess Provision for Income-tax (earlier years)	14.1
2003-2004	Excess Provision for Income-tax (earlier years)	21.0
2003-2004	Deferred Tax Asset for (earlier years)	3.2
2004-2005	Excess Provision for Income-tax (earlier years)	0.2

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Annexure II: Statement of Assets and Liabilities, as Restated

(Rs. Millions)

	Sch.	As at March 31 2001	As at March 31 2002	As at March 31 2003	As at March 31 2004	As at March 31 2005	As at December 31 2005
A Fixed Assets							
Gross Block (includes Capital work in progress and Capital advances)		592.3	422.4	269.1	230.3	251.6	324.6
Less: Depreciation		160.8	157.0	121.5	94.0	83.5	111.0
Net Block		431.5	265.4	147.6	136.3	168.1	213.6
Less Revaluation Reserves		0.0	0.0	0.0	0.0	0.0	0.0
Net Block after adjustment for revaluation reserves		431.5	265.4	147.6	136.3	168.1	213.6
B Intangible Assets		0.4	5.8	3.6	1.8	5.6	12.7
C Investments		94.4	77.3	78.7	53.8	368.3	79.7
D Current Assets, Loans and Advances							
Loans against assets / Stock on Hire	7	6,357.9	8,289.2	11,702.1	17,106.3	26,310.6	36,628.7
Sundry Debtors	8	711.0	695.9	831.7	946.7	1,291.6	1,803.3
Other Current Assets	9	131.6	189.5	266.8	314.9	371.1	464.5
Cash and Bank Balances		328.6	453.0	435.8	1,024.1	1,113.4	1,165.2
Loans and Advances	10	1,453.4	801.7	1,072.2	749.0	1,493.0	2,991.1
		8,982.5	10,429.3	14,308.6	20,141.0	30,579.7	43,052.8
E Liabilities and Provisions							
Preference Share Capital		0.0	0.0	0.0	0.0	500.0	500.0
Secured Loans	11	4,726.4	5,707.3	6,891.3	13,234.2	22,035.4	28,834.4
Unsecured Loans	12	2,207.9	2,271.7	4,202.6	2,479.7	2,505.7	7,183.5
Current Liabilities and Provisions	13	1,031.6	1,053.6	1,386.6	2,101.6	2,524.8	2,814.8
		7,965.9	9,032.5	12,480.5	17,815.5	27,565.9	39,332.7
F Net Worth (A+B+C+D-E)		1,542.9	1,745.2	2,058.0	2,517.4	3,555.8	4,026.1
Represented by							
Share capital		606.2	606.2	606.2	606.2	701.6	704.9
Employee Stock option outstanding		0.0	0.0	0.0	0.0	0.0	2.0
Reserves		936.7	1,139.0	1,451.8	1,911.2	2,854.2	3,319.2
Less: Revaluation Reserves		0.0	0.0	0.0	0.0	0.0	0.0
Reserves (Net of Revaluation Reserves)		936.7	1,139.0	1,451.8	1,911.2	2,854.2	3,319.2
Net Worth		1,542.9	1,745.2	2,058.0	2,517.4	3,555.8	4,026.1

Schedules to Annexure I

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Schedule 1						
Interest Earned						
Income from Bills	28.6	24.0	4.0	2.9	2.6	3.0
Income from Hire Purchase	1,109.4	1,659.0	1,294.7	609.6	247.9	83.0
Income from Loan	0.0	27.9	937.5	2,148.8	3,474.7	3,537.7
Income from Retained Interest in Securitised Assets	0.0	0.6	7.1	25.7	44.8	36.4
Total	1,138.0	1,711.5	2,243.3	2,787.0	3,770.0	3,660.1
Schedule 2						
Other Income						
Profit/Premium on Sale/Redemption of Long Term Investment	(1.0)	5.4	3.0	8.5	0.3	0.5
Income from Investments - Long Term						
- Trade	0.0	0.0	3.7	2.9	2.4	1.5
- Non-trade	10.5	4.5	0.0	0.0	0.0	0.0
Dividend Received	0.0	0.0	0.0	0.0	12.0	37.2
Interest on Term Deposits	0.0	1.7	2.3	8.7	26.8	19.5
Interest on ICD	8.4	7.1	8.2	7.4	4.4	1.1
Income – others	5.4	6.3	9.3	24.5	32.4	10.5
Total	23.3	25.0	26.5	52.0	78.3	70.3
Schedule 3						
Interest						
Interest on:						
- Fixed loans	349.7	320.4	320.3	279.0	247.7	299.6
- Debentures	226.8	348.9	419.7	587.0	911.8	1,049.0
- Others	66.2	56.3	92.5	63.3	124.2	130.5
Total	642.7	725.6	832.5	929.3	1,283.7	1,479.1
Schedule 4						
Staff Cost						
Salary,Bonus & Incentives	57.4	79.2	107.5	162.6	246.8	252.5
Company's Contribution to P.F. & other funds	4.9	6.3	10.9	11.6	11.2	20.4
Staff Welfare	3.2	3.5	5.8	5.8	13.4	9.4
Employee compensation expenses on account of ESOS	0.0	0.0	0.0	0.0	0.0	2.0
Total	65.5	89.0	124.2	180.0	271.4	284.3

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Schedule 5						
Provisions, Contingencies and Write Offs						
Bad Debts & Write offs	111.4	169.8	200.2	312.9	409.6	318.6
Provision for Non Performing Assets (as per RBI norms)	33.6	64.7	67.7	101.1	65.0	164.4
Additional provision for Non Performing Assets	12.0	153.8	127.9	0.0	85.4	148.7
Total	157.0	388.3	395.8	414.0	560.0	631.7
Schedule 6						
Administrative Expenses						
Electricity Charges	1.2	1.7	2.6	4.9	9.4	11.6
Rent	9.5	13.3	16.4	26.9	31.0	33.2
Repairs & Maintenance - Building	0.0	0.1	0.2	7.9	1.1	16.6
- Others	0.5	0.4	0.4	2.2	2.1	1.3
Insurance	2.8	2.3	6.6	8.5	8.3	7.8
Rates & Taxes	0.7	15.5	32.9	29.0	23.4	16.2
Directors Remuneration - Fees	0.0	0.1	0.1	0.1	0.2	0.1
- Commission	0.5	2.0	2.4	3.1	4.0	0.0
Legal & Professional Charges	12.9	8.8	12.8	18.0	33.7	74.2
Loss on Sale / retirement of Owned Assets	0.5	1.3	0.7	1.5	4.4	0.9
Auditors Remuneration - Audit Fees	0.3	0.5	0.6	0.9	1.1	0.7
- Other Services	0.2	0.7	0.2	0.1	1.1	0.3
Donations - Political Parties	0.0	0.0	0.0	0.0	4.0	0.0
- Others	0.0	0.1	5.6	5.8	1.1	1.8
General & Administrative Expenses	49.5	57.2	84.6	132.8	209.9	271.0
Total	78.6	104.0	166.1	241.7	334.8	435.7

Schedules to Annexure II

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Schedule 7						
Loans against assets / Stock on hire						
Stock on Hire	7,883.2	9,620.3	3,895.0	984.8	98.8	18.4
Less: Unmatured Finance charges	1,563.2	2,017.9	749.6	216.3	75.9	11.0
	6,320.0	7,602.4	3,145.4	768.5	22.9	7.4
Less: Provision for Non Performing Assets & Doubtful debts	0.8	47.6	11.3	5.4	8.2	3.0
	6,319.2	7,554.8	3,134.1	763.1	14.7	4.4
Stock on Hire (Repossessed Cases)	49.7	97.9	119.9	17.1	1.3	0.0
Less: Unmatured Finance charges (Repossessed Cases)	11.0	24.2	23.2	1.8	0.2	0.0
(Refer Notes to the Accounts -3)	38.7	73.7	96.7	15.3	1.1	0.0
Less: Provision for Non Performing Assets & Doubtful debts	0.0	1.0	2.0	0.8	0.9	0.0
	38.7	72.7	94.7	14.5	0.2	0.0
Loans against Assets (Secured)	0.0	628.3	8,309.5	15,987.7	25,831.8	36,237.1
Less: Provision for Non Performing Assets & Doubtful debts	0.0	0.0	7.7	4.7	63.6	119.8
Loans Considered good	0.0	628.3	8,301.8	15,983.0	25,768.2	36,117.3
Retained Interest in Securitised Assets	0.0	33.4	171.5	345.7	527.5	507.0
Total	6,357.9	8,289.2	11,702.1	17,106.3	26,310.6	36,628.7
Schedule 8						
Sundry debtors						
- Less than six months old	656.8	727.5	732.8	865.1	1,210.9	1,746.4
- More than six months old	145.4	187.0	501.2	588.1	696.9	979.6
	802.2	914.5	1,234.0	1,453.2	1,907.8	2,726.0
- Less: Provision for Non Performing Assets & Doubtful debts	91.2	218.6	402.3	506.5	616.2	922.7
Debtors Considered good	711.0	695.9	831.7	946.7	1,291.6	1,803.3
Schedule 9						
Other Current Assets						
Other Current Assets	3.4	3.5	7.6	4.3	7.5	6.8
Deferred tax Asset	128.2	186.0	259.2	310.6	363.6	457.7
Total	131.6	189.5	266.8	314.9	371.1	464.5

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Schedule 10						
Loans and Advances						
[B] Loans & Advances (Unsecured unless otherwise stated)						
Bills of Exchange	434.1	19.1	12.1	13.6	19.1	33.8
Less: Bills rediscounted	19.7	0.0	0.0	0.0	0.0	0.0
	414.4	19.1	12.1	13.6	19.1	33.8
Less: Provision for Non Performing Assets & Doubtful Debts	0.1	1.3	2.3	0.8	0.8	0.8
Bills Considered good	414.3	17.8	9.8	12.8	18.3	33.0
Advances recoverable in cash or in kind or for value to be received:						
- Advances under Loan Agreements	944.7	753.0	1,036.3	745.5	1,416.1	2,827.7
Less: Provision for Non Performing Assets & Doubtful Debts	1.1	48.1	86.4	93.9	73.9	64.4
Advances Considered good	943.6	704.9	949.9	651.6	1,342.2	2,763.3
Exchange Fluctuation Foreign Currency Loan	10.2	13.9	9.2	0.3	0.0	0.0
Inter Corporate Deposits Given	42.9	46.3	64.0	46.8	25.3	40.0
Less: Provision for Non Performing Assets	0.0	10.0	10.0	11.0	10.0	10.0
Deposits Considered good	42.9	36.3	54.0	35.8	15.3	30.0
Advance payment of tax (net of provisions)	16.7	2.0	0.0	5.1	57.2	54.6
Deposits for office premises	4.8	5.5	6.6	10.5	14.4	17.5
Deposits-Others	1.0	2.1	3.9	1.4	2.3	3.2
Other Loans & Advances	19.9	19.2	38.8	31.5	43.3	89.5
Total	1,453.4	801.7	1,072.2	749.0	1,493.0	2,991.1
Schedule 11						
Secured Loans						
Non-Convertible Debentures	1,740.0	2,890.0	3,140.0	9,410.0	16,910.0	21,990.0
Non-Convertible Debentures (Secured by pari passu charge over immovable assets and first charge over business assets of the Company)						
Loans & Advances from Banks						
a) Term Loans	1,659.0	1,094.0	1,795.0	2,301.0	3,380.0	5,090.0
(Secured by hypothecation over the Company's current assets covered by Lease/HP/Loan agreements and relative rentals/book debts)						

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
b) Cash Credit (Repayable fully within a year) (Secured by hypothecation over the Company's current assets covered by Lease/HP/ Loan agreements and relative rentals/ book debts)	645.7	1,009.5	744.3	438.5	810.0	843.5
c) Short Term Foreign Currency Loans (Secured by hypothecation over the Company's current assets covered by Lease/HP/Loan agreements and relative rentals/book debts)	681.7	713.8	722.0	594.7	494.4	494.4
Loans & Advances from Others 8.35% Term Loan from International Finance Corporation (Secured by hypothecation over the Company's current assets covered by Lease/HP/ Loan agreements and relative rentals/ book debts)	0.0	0.0	490.0	490.0	441.0	416.5
Total	4,726.4	5,707.3	6,891.3	13,234.2	22,035.4	28,834.4
Schedule 12						
Unsecured Loans						
Fixed Deposits	396.3	409.1	436.8	359.6	292.6	164.6
Non-Convertible Debentures	516.2	800.0	2,300.0	1,100.0	0.0	2,050.0
<u>Unsecured Bonds (Subordinate Debt)</u>						
a) 11.19% Unsecured Bond-Mahindra & Mahindra Ltd. (Redeemable after 66 months from the date of allotment, i.e.28-03-2002)	0.0	40.0	40.0	40.0	40.0	40.0
b) 10.165% Unsecured Bond-International Finance Corporation (Redeemable after 66 months from the date of allotment, i.e.12-07-2002)	0.0	0.0	350.0	350.0	350.0	350.0
c) 7.50% Unsecured Bond-UTI Bank Ltd. (Redeemable after 66 months from the date of allotment, i.e.08-03-2004)	0.0	0.0	0.0	500.0	500.0	500.0
d) 7.50% Unsecured Bond-UTI Bank Ltd. (Redeemable after 68 months from the date of allotment, i.e.03-09-2004)	0.0	0.0	0.0	0.0	400.0	400.0

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
e) 7.75% Unsecured Bond-UTI Bank Ltd. (Redeemable after 66 months from the date of allotment, i.e.26-10-2004)	0.0	0.0	0.0	0.0	400.0	400.0
f) 7.40% Unsecured Bond-UTI Bank Ltd. (Redeemable after 70 months & 15 days from the date of allotment, i.e.15-6-2005)	0.0	0.0	0.0	0.0	0.0	500.0
<u>Short Term Loans & Advances from Banks:</u>						
Commercial Paper	800.0	750.0	830.0	100.0	500.0	2,750.0
<u>Short Term Loans & Advances from Others:</u>						
Inter Corporate Deposits (Repayable fully within a year)	315.4	272.6	245.8	30.1	23.1	28.9
Other Loan (Repayable fully within a year)	180.0	0.0	0.0	0.0	0.0	0.0
Total	2,207.99	2,271.7	4,202.6	2,479.7	2,505.7	7,183.5
Schedule 13						
Current Liabilities and Provisions						
Current Liabilities						
<u>Sundry Creditors</u>						
- Expenses	143.5	154.3	182.8	198.3	190.2	174.5
- Finance	305.6	255.4	450.7	581.9	380.3	633.8
- Others	2.7	5.5	6.8	29.4	13.4	30.9
	451.8	415.2	640.3	809.6	583.9	839.2
Interest accrued but not due –Loans	194.2	278.9	256.1	408.3	594.4	666.3
- Others	3.0	4.3	6.6	6.6	1.9	1.8
Discount received but not due (Bills)	6.8	0.5	0.3	0.2	0.2	0.2
Deposits/Advances received against Loan agreements	214.2	190.9	124.4	87.2	65.1	76.3
Amount Due to IEPF:*						
Debentures Matured remaining Unclaimed	1.1	1.9	0.9	0.9	0.9	0.9
Unclaimed Dividend	0.0	0.0	0.1	0.0	0.0	0.1
Unclaimed Fixed Deposit Interest	1.4	0.7	0.7	0.7	0.7	0.7
Credit balances in Current Accounts with Banks	8.3	6.6	10.7	9.1	65.1	246.3
Other Current Liabilities (includes unmatured subvention and payable in respect of Securitisation)	80.9	117.6	197.6	457.1	736.1	662.8
Total	961.7	1,016.6	1,237.8	1,779.8	2,048.4	2,494.7
Provisions						
Provision for Taxation (net of taxes paid)	0.0	0.0	5.4	0.0	0.0	0.0
Provision for Estimated Loss/Expenses on Securitisation	0.0	3.1	41.5	147.2	268.9	204.5
Provision for Retirement Benefits	0.2	0.5	6.4	8.7	5.6	10.0
Provision for Expenses	16.3	21.3	27.1	49.6	77.4	105.6
Proposed Dividend	48.5	12.1	60.6	103.1	109.2	0.0
Corporate Dividend Tax	4.9	0.0	7.8	13.2	15.3	0.0
Total	69.9	37.0	148.8	321.8	476.4	320.1
Total	1,031.6	1,053.6	1,386.6	2,101.6	2,524.8	2,814.8

Annexure III: Cash Flow Statement, as Restated

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
A. Cash Flow from Operating Activities						
Profit before taxes and contingencies	204.7	431.1	720.7	1,018.7	1,328.1	926.7
Add/(Less):						
Non Cash Expenses:						
Depreciation incl. Lease equalisation Adjustment	179.0	118.7	84.7	46.0	35.0	30.6
Amortisation on Intangible Assets	0.7	3.2	3.2	4.0	3.5	5.5
Provision for non-performing assets (net)	45.6	218.5	195.6	101.1	150.4	313.1
Employee Compensation Expense on account of ESOS						2.0
	225.3	340.4	283.5	151.1	188.9	351.2
Add/(Less):						
Income considered separately:						
Income received on investing activities	(10.5)	(4.5)	(3.7)	(2.9)	(14.4)	(38.7)
(Profit)/Loss on sale of assets	0.5	1.3	0.7	1.5	4.4	0.9
(Profit)/Loss on sale of Investment	1.0	(5.4)	(3.0)	(8.5)	(0.3)	(0.5)
Income from Securitisation	0.0	(31.0)	(106.7)	(152.4)	(203.5)	(255.1)
Total	(9.0)	(39.6)	(112.7)	(162.3)	(213.8)	(293.4)
Operating profit before working capital changes	421.0	731.8	891.5	1,007.5	1,303.2	984.5
Less:						
(Increase)/Decrease in interest accrued investment/others	0.7	(0.7)	(0.4)	(0.3)	(2.1)	0.8
(Increase)/Decrease in Stock on hire (net)	(1,438.2)	(1,635.0)	4,433.8	2,458.5	759.7	16.6
(Increase)/Decrease in Trade receivables	(153.1)	(97.5)	(319.6)	(219.1)	(454.7)	(784.2)
(Increase)/Decrease in Loans & Advances	(517.2)	(82.6)	(9,453.2)	(9,985.3)	(14,226.7)	(13,766.6)
(Increase)/Decrease in Leased assets (net)	(93.0)	61.1	63.8	28.1	17.0	0.0
	(2,200.8)	(1,754.7)	(5,275.7)	(7,718.2)	(13,906.7)	(14,533.4)
Add: Increase in Current liabilities	43.3	60.8	229.5	570.3	292.2	478.8
	(2,157.5)	(1,693.9)	(5,046.1)	(7,147.9)	(13,614.5)	(14,054.6)
Cash generated from operations	(1,736.5)	(962.1)	(4,154.6)	(6,140.4)	(12,311.3)	(13,070.1)
Advance taxes paid	(67.0)	(206.2)	(344.8)	(429.6)	(610.5)	(407.6)
Net Cash from Operating Activities (A)	(1,803.5)	(1,168.3)	(4,499.4)	(6,570.0)	(12,921.8)	(13,477.6)
B. Cash Flow from Investing Activities						
Purchase of fixed assets	(18.7)	(17.6)	(34.3)	(67.0)	(95.0)	(82.1)
Sale of fixed assets	0.4	2.5	3.1	2.7	6.7	5.1
Purchase of Investments	(67.0)	(10.3)	(58.2)	(53.4)	(367.9)	(34.2)
Sale of Investments	65.0	32.8	59.8	86.7	53.8	323.2
Purchase of Oracle Software	0.0	(8.7)	(1.0)	(2.2)	(7.3)	(12.6)
Income received on investments	10.5	4.5	3.7	2.9	14.4	38.7
Net Cash from Investing Activities (B)	(9.8)	3.2	(27.0)	(30.3)	(395.3)	238.1

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(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
C. Cash Flow from Financing Activities						
Issue of Preference Shares	0.0	0.0	0.0	0.0	500.0	0.0
Issue of Equity Shares through Rights Issue	0.0	0.0	0.0	0.0	476.6	
Issue of Shares to Employees Stock Option Trust	0.0	0.0	0.0	0.0	0.0	17.0
Increase/(Decrease) in Bank borrowings (net)	260.0	363.8	(265.2)	(305.9)	371.6	33.5
Increase/(Decrease) in long term borrowings (net)	710.0	1,190.0	1,090.0	6,770.0	8,251.0	5,555.5
Increase/(Decrease) in short term borrowings (net)	880.1	(522.0)	2,262.4	(1,767.0)	271.7	6,015.8
Increase/(Decrease) in Fixed Deposits (net)	26.8	12.8	27.7	(77.2)	(66.9)	(128.0)
Proceeds from Securitisation	0.0	351.8	1,466.9	2,451.2	3,663.5	2,183.8
Dividend paid	(29.3)	(106.9)	(72.7)	(143.6)	(252.8)	(283.9)
Net Cash from Financing Activities (C)	1,847.6	1,289.5	4,509.1	6,927.6	13,214.7	13,393.7
Net Increase / (Decrease) in Cash and Cash Equivalent (A+B+C)	34.3	124.4	(17.2)	327.2	(102.3)	154.1
CASH AND CASH EQUIVALENTS **						
AT THE:						
Beginning of the period	294.3	328.6	453.0	435.8	763.0	660.7
End of the period	328.6	453.0	435.8	763.0	660.7	814.8

** Cash and Cash Equivalents does not include 'cash collaterals' for securitised debts.

Schedule ii to Annexure II: Statement on Contingent Liability

(Rs. Millions)

Particulars	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
1. Contingent Liabilities:						
(I) Estimated amount of contracts remaining to be executed on capital account (net of advances)	0.2	3.3	1.2	0.9	3.7	5.6
(II) Claims not acknowledged as debts in respect of:						
<u>Income Tax demands under appeal</u>						
A.Y 96-97	28.2	0.0	0.0	0.0	0.0	0.0
A.Y 97-98	0.8	0.0	0.0	17.5	14.5	14.5
A.Y 98-99 (Interest Tax)	0.3	0.0	0.0	0.0	0.0	0.0
A.Y 99-00	0.0	17.9	0.0	0.0	0.0	0.0
A.Y 00-01	0.0	0.0	13.3	13.1	13.3	14.6
A.Y 02-03	0.0	0.0	0.0	0.0	28.7	28.7
A.Y 03-04						60.9
	29.2	17.9	13.3	30.6	56.5	118.8
<u>Others (Sales Tax)</u>					9.8	9.8
(III) Guarantees Issued:						
Performance Guarantees	20.0	20.0	20.0	20.0	20.0	20.0
(IV) On Account of Securitisation:						
Bank Guarantee for Securitisation	0.0	19.6	83.5	0.0	0.0	0.0
Corporate Undertaking for Securitisation	0.0	0.0	0.0	19.3	65.0	201.5
(V) Contingent Claims on Account of Legal suits filed in Consumer Forums and Civil courts	0.0	1.6	2.2	29.6	20.4	31.1
	49.4	62.4	120.2	100.4	175.4	386.8

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Annexure IV Specified Ratios

(Rs. Millions)

Particulars	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Earning per Share (Rs.) - Basic	2.07	4.42	7.29	10.74	13.23	10.07#
Diluted *	0.00	0.00	0.00	0.00	0.00	9.95 #
Return on Net worth (%) **	8.1%	15.4%	21.5%	25.9%	22.6%	17.1% #
Net Asset Value of Shares (Rs.) **	25.45	28.79	33.95	41.53	50.68	57.15

Annualised

* Dilution in EPS is on account of 2,686,550 shares issued to Employees Stock Option Trust under the Employees Stock Option Scheme.

**Following have not been considered for calculating Return on net worth and Net Asset Value of the shares:

- In accordance with the Guidance Note on Accounting for Employee Share Based Payments issued by the Institute of Chartered Accountants of India, 26,86,550 Equity Shares issued to Employees Stock Option Trust as on 6th December 2005
- 31,57,895 Equity Shares issued to Copa Cabana under private placement agreement on 5th January 2006
- 1,00,00,000 Equity Shares proposed to be issued under Initial Public Offering

**The number of equity shares for the year ending March 31, 2005 have been adjusted for the rights issue in accordance with the Accounting Standard 20 on 'Earnings per Share' for computing the Earnings per Share

Definitions

Earning per Share (Rs.) Basic	Profit after tax net of preference dividend / Weighted average number of equity shares
Earning per Share (Rs.) Diluted	Profit after tax net of preference dividend / Weighted average number of equity shares (Including shares issued to Trust under Employees Stock Option Scheme)
Return on Net worth (%)	Profit after tax net of preference dividend / Equity shareholders' funds
Net Asset Value per share (Rs.)	Equity shareholders' funds / No. of Equity Shares

Annexure V (a): Notes on Accounts for the Period ended December 31, 2005**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. Further, the Company follows directions issued by The Reserve Bank of India for Non-Banking Financial Companies.

2) Stock on Hire / Future Receivables:

Stock on hire / Future receivables are stated at agreement value net of instalments due less unmaturred finance charges.

3) Depreciation:

- a) Depreciation on fixed assets, other than leased assets and repossessed assets capitalised for own use, has been charged using 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 based on the estimated useful life of the asset. Assets costing less than Rs.5000/- are fully depreciated in the year of purchase.
- b) Leased assets (acquired prior to April 1, 2001) are depreciated at rates specified in Schedule XIV to the Companies Act, 1956 as required by the old Guidance note on lease accounting issued by the Institute of Chartered Accountants of India prior to issuance of Accounting Standard 19 on leasing transactions. To ensure capital recovery over the primary lease period, the difference between the depreciation charged as computed using the IRR implicit in the lease and the charge as disclosed for the year, is reflected in the lease equalisation account.
- c) 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 'Owned Assets'.

4) Revenue Recognition:

- a) General: The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges 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.
- b) Income from Lease: Finance earnings on lease transactions are calculated by applying the interest rate implicit in the lease, to the investment in the leased assets, as reduced by the Net Present Value of the lease instalments falling due.
- c) Income from Hire Purchase: Income from Hire Purchase transactions entered into prior to April 1, 2001 is accounted for on equated basis in accordance with the terms of the contract (except in some cases in which it is accounted for by applying the interest rate implicit in such contracts). For Hire Purchase transactions entered into by the company on or after April 1, 2001 the income is accounted for by applying the interest rate implicit in such contracts.
- d) Income from Loan: Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.
- e) 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.

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- f) Income from Securitization: Securitised assets are derecognised as the contractual rights therein are transferred to the special purpose vehicle or Buyer as the case may be. On derecognition, the difference between book value of the securitised asset 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 securitization.

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

- g) Income from Investments
- i. Dividend from investments is accounted for as income when the right to receive dividend is established.
 - ii. Interest income is accounted on accrual basis.

5) Fixed Assets:

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

Assets held for sale are stated at the lower of their net book value and net realisable value.

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 (other than in respect of the contracts for the acquisition of fixed assets) 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 (other than those for acquisition of fixed assets and technical know-how) the exchange differences are recognised in the Profit and Loss account.

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.

8) Retirement Benefits:

- a) The Company's liability towards gratuity and superannuation to its employees is covered by a group gratuity policy with LIC of India. Charge to Profit and Loss includes premium paid to LIC of India and change in Actuarial valuation during the year net of fund value available.

- b) Liability on account of encashment of leave to employees is provided on the basis of actuarial valuation.

9) 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. All other borrowing costs are charged to revenue in the year of incurrence.

10) Leasehold 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.

11) 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.

As required under AS 25 on Interim Financial Reporting , for any interim financial statements, provision for current tax & deferred tax is worked out on the basis of annual effective income tax rate applied to the pre-tax income for that period.

12) 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.

13) Software Expenses:

Software expenses are either treated as revenue expense or treated as Intangible Assets which are amortised over a period of 3 years depending upon the type of software and evaluation of future benefits there from.

14) Miscellaneous Expenditure:

Preliminary Expenses: Preliminary and pre-operative expenses are amortised over a period of five years.

15) Impairment of Assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An 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 recent value as determined above.

16) 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.

17) Share Issue Expenses:

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

18) 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.

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Annexure V(b): Significant Notes to Accounts

1. Provision for Non Performing Assets

Year ended: March 31, 2001

The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India.

Year ended: March 31, 2002

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 has also made an additional provision Rs. 153.8 millions on the Non Performing Assets in addition to the existing prudential norms laid by the Reserve Bank of India for the Non Banking Finance Companies.

Year ended: March 31, 2003

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 has also made an additional provision of Rs. 169.4 millions (includes Rs. 41.5 millions in respect of Securitised future receivables) on the Non Performing Assets in addition to the existing prudential norms laid down by the Reserve Bank of India for the Non Banking Finance Companies.

Year ended: March 31, 2004

The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India. During the year Reserve Bank of India has revised provisioning norms for non-performing assets vide Reference DNBS. (PD). CC No. 29/02.01/2003-04 dated August 1, 2003 and enhanced provisioning as required by the revised provisioning norms has been made by the company. The company has also made an additional provision of Rs. 105.7 millions in respect of Securitised future receivables.

Year ended: March 31, 2005

The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India. Also, based on the recommendation of the audit Committee of the Board, the Company has made an additional provision of Rs. 85.4 millions (previous year Nil) on a prudential basis. The company has also made provision for estimated loss in respect of Securitised future receivables.

Nine months ended: December 31, 2005

The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India. Also, based on the recommendation of the audit Committee of the Board, the Company has made an additional provision of Rs. 148.7 millions (previous period Rs. 168.8 millions) on a prudential basis. The company has also made provision for estimated loss in respect of Securitised future receivables.

2. Securitisation

Year ended: March 31, 2002

During the year ended March 31, 2002 the company has without recourse securitised future hire purchase receivables of Rs.434.8 millions (including unmatured finance charges) for a consideration of Rs. 389.7 millions. The excess of consideration received over the principal amount of the hire purchase receivables is booked as income from securitisation.

Year ended: March 31, 2003

During the year ended March 31, 2003 the company has without recourse securitised loan receivables of 6762 contracts amounting to Rs. 1754.1 millions (including future interest receivable) for a consideration of Rs. 1628.8 millions. The excess of consideration received over the principal amount of the loan receivables is booked as income from securitisation.

Current Investment includes investment in 'Pass Through Certificates' amounting to Rs. 200.4 millions issued in pursuance of securitisation of receivables by the Vehicle Hire Purchase Finance Securitisation Trust, VE Trust – 2 & VE Trust – 3. Unmatured Finance Charges of Rs. 36.6 millions pertaining to these 'Pass Through Certificates' have been grouped under current liabilities.

Year ended: March 31, 2004

During the year ended March 31, 2004 the company has without recourse securitised loan receivables of 14367 contracts amounting to Rs. 3189.6 millions (including future interest receivable) for a consideration of Rs. 2978.3 millions. The excess of consideration received over the principal amount of the loan receivables is booked as income from securitisation.

Year ended: March 31, 2005

In view of the opinion of the expert committee of The Institute of Chartered Accountants of India the Own Investment in PTCs is regrouped under Loans & Advances as Retained interest in securitised Assets. The investment by the company in 'Pass Through Certificates' amounted to Rs.528.1 millions (previous year Rs. 345.7 millions) issued in pursuance of securitization of receivables by the Vehicle Hire Purchase Finance Securitization Trust, VE Trust – 3, VE Trust – 4, VE Trust – 5, VE Trust – 6, VE Trust – 7, VE Trust - 8 net of Unmatured Finance Charges of Rs. 57.3 millions (previous year Rs. 48.2 millions) pertaining to these 'Pass Through Certificates'.

The income from own investment in PTCs is regrouped under Income from Operations as Income from Retained Interest in Securitised Assets. This has no impact on the profit of the current or future financial year/s.

During the year ended March 31, 2005 the company has without recourse securitised loan receivables of 22490 (previous year 14367) contracts amounting to Rs. 4527.8 millions (previous years Rs. 3189.6 millions)(including future interest receivable) for a consideration of Rs.4243.0 millions (previous year Rs.2978.3 millions).

As the income booked in respect of securitization of receivables includes certain amount towards cost of future servicing of the securitised pool, a matching amount has been provided for. The securitization income booked of Rs.193.3 millions during the year (previous year Rs. 146.6 millions) is net of expenses of Rs. 44.6 millions (previous year Rs. 5.8 millions), & provision for estimated loss of Rs. 87.4 millions (previous year Rs. 105.7 millions).

Nine months ended: December 31, 2005

In view of the opinion of the expert committee of The Institute of Chartered Accountants of India the Own Investment in PTCs is regrouped under Loans & Advances as Retained interest in securitised Assets. The investment by the company in 'Pass Through Certificates' amounted to Rs. 507.0 millions (previous period Rs. 445.9 millions) issued in pursuance of securitization of receivables by the Vehicle Hire Purchase Finance Securitization Trust, VE Trust – 4, VE Trust – 5, VE Trust – 6, VE Trust – 7, VE Trust – 8, VE Trust – 9, net of Unmatured Finance Charges of Rs. 42.7 millions (previous period Rs. 55.6 millions) pertaining to these 'Pass Through Certificates'.

The income from own investment in PTCs is regrouped under Income from Operations as Income from Retained Interest in Securitised Assets. This has no impact on the profit of the current or future financial year/s.

During the period the Company has without recourse securitised loan receivables of 9837 (Previous period 14399) contracts amounting to Rs.2396.0 millions (previous period Rs. 2840.1 millions) (including future interest receivable) for a consideration of Rs.2081.4 millions (previous period Rs. 2407.5 millions). As the income booked in respect of securitization of receivables includes certain amount towards cost of future servicing of the securitized pool, an appropriate amount has been provided towards expenditure for future services. The Securitization income booked is Rs. 190.7 millions (previous period Rs. 211.1 millions), & provision for estimated loss of Rs. 51.2 millions (previous period Rs. 61.0 millions).

Excess provision in respect of securitisation of Rs.60.9 millions (net of tax) considered no longer necessary is written back.

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3. Issue of Share Capital

Year ended: March 31, 2005

During the year The Company has issued on rights basis, 95,32,777 Equity shares of Rs.10 each at premium of Rs. 40 each, and 50,00,000, 6.90 % Cumulative Redeemable Preference Shares of Rs.100/- each on private placement basis.

Nine months ended: December 31, 2005

During the year the Company has issued, 26,86,550 Equity shares of Rs.10 each at premium of Rs. 41 each to the Mahindra & Mahindra Financial Services Limited ESOS Trust under the Employee Stock Option Scheme (ESOS) of the company.

4. Treatment of repossessed assets

Year ended: March 31, 2001

The market value of Repossessed vehicles in stock and the vehicles given on hire to parties whose receivables are classified as non performing as per RBI guidelines, as determined by the management have been relied upon by the auditors for the purpose of stock valuation and provisioning respectively.

Year ended: March 31, 2002 to March 31, 2005 & Nine months ended December 31, 2005

Repossessed Assets in case of hire purchase contracts is shown under Current Assets as Stock on Hire net of unmaturred finance charges.

Year ended: March 31, 2005 & Nine months ended December 31, 2005

Bad debts & Write offs includes loss on termination which mainly represents shortfall on settlement of certain contracts due to realisation of lower value from such Hire Purchase/Leased/Loan assets on account of poor financial position of such customers.

5. Employees Stock Option Scheme:

Nine months ended December 31, 2005

During the year the Company has issued, 26,86,550 Equity shares of Rs.10 each at premium of Rs. 41 each to the Mahindra & Mahindra Financial Services Limited Employee Stock Option Trust under the Employee Stock Option Scheme (ESOS) of the company. The details of the Employee Stock Option Scheme are

Type of Arrangement	Employee Share-Based Payment Plan administered through Employee Stock Option Trust.
Number of Options Granted	26,86,550
Grant Date	7 th December 2005
Contractual life	Options will lapse if not exercised within 6 years from the date of grant i.e. 7 th December 2005.
Exercise Price	Rs. 51 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

- a) The company has adopted intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares based on the valuation obtained from an independent valuer is Rs. 65.53 (rounded up to Rs.66) per share based on Net Asset Value/Asset Based Method. The difference between the intrinsic value & the exercise price of Rs.51 per share is being amortised as employee compensation cost over the vesting period. The total amount to be amortised over the vesting period is Rs.40.3 million. Accordingly the charge to profit & loss account during the current period is Rs.2.0 millions and the amount carried forward is Rs.38.3 millions.

The fair value of options, based on the valuation of the independent valuer as of 31st December 2005 is:

Vesting period in years	Expected Vesting	Fair Value (Rs.)
1	940,292	23.39
2	671,638	23.54
3	537,310	24.56
4	268,655	25.82
5	268,655	26.51
	2,686,550	

Had this method been used the charge to profit & loss account on account of amortisation of difference between the fair value & the exercise price of Rs.51 per share during the period would have been Rs.3.1 millions. The total amount that would have been amortised over the vesting period is Rs.65.1 millions.

- b) The company has granted a loan of Rs.120.0 millions without interest to Mahindra & Mahindra Financial Services Limited Employees Stock Option Trust for the purchase of shares of the company under the stock option scheme.
- c) Disclosure of earnings per share as per the Guidance Note on "Accounting for Employee share-based Payments"

	<u>Intrinsic Value Method</u>	<u>Fair Value Method</u>
A Net Profit After Tax (Rs. in millions)	610.7	608.9
B Weighted Average number of Equity Shares of Rs.10/- each	71,009,888	71,009,888
C Basic Earning per Share ## (Rs.)	10.07	10.00
D Diluted Earning per Share ## @ (Rs.)	9.95	9.88

Profit after tax has been annualised; however the Securitisation income is considered as non-recurring and not annualised.

@ Dilution in Earning per share is on account of 2686550 equity shares issued to Employees Stock Option Trust on 6th December 2005 under the Employees Stock Option Scheme.

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Annexure V(c) Notes on items not restated:

In preparing the restated financial statements for period from March 2001 to March 2005, regulatory changes and accounting standards including those relating to provisioning requirements in respect of Non-performing Assets mandated by Reserve Bank of India have been given effect to on a prospective basis i.e. from the date they become applicable / mandatory as the case may be. Similarly, the directions of audit committee have been given effect to from the date as mandated by the audit committee. All these changes have been given effect to from the respective financial years and no restatement in respect of earlier year/s is made as detailed below:

- a) Up to the financial year ending March 31, 2001, Provision for non-performing assets was made in accordance with the Guidelines issued by Reserve Bank of India. From the Financial year 2001-02 it was decided to make an additional provision over and above the NPA provision required as per the Guidelines issued by Reserve Bank of India. This additional provision was made in accordance with the directions of the Audit Committee.
- b) For the financial year 2000-01 repossessed assets lying with the company for a period exceeding 9 months were valued at Rs.1000 per contract. From the financial year 2001-02 onwards separate treatment of Stock on Hire in respect of repossessed assets was dispensed with and the same was stated at agreement value net of instalments due and unmatured finance charges. The difference in the WDV of the assets and the principal portion in the Stock on Hire was provided for as NPA as per the Reserve Bank of India Guidelines dated June 27, 2001 and Audit Committee directions as given in the meeting dated January 2, 2002
- c) The financial statements have not been restated to give effect to the following Accounting Standards prior to the date they become mandatory, namely:

AS – Number	Heading	Effective Date
AS 19	Leases	1 April 2004
AS 24	Discontinuing Operations	1 April 2004
AS 28	Impairment of Assets	1 April 2004

Annexure V (d) Significant Changes in Accounting Policies effected during April 1, 2001 to March 31, 2005

- a. Up to the financial year ending March 31, 2001, Provision for non-performing assets was made in accordance with the requirements of the Guidelines issued by Reserve Bank of India. From the Financial year 2001-02 it was decided to make an additional provision over and above the NPA provision required as per the Guidelines issued by Reserve Bank of India. This additional provision was made in accordance with the guidelines formulated by the Audit Committee.
- b. Accounting for Hire Purchase / Lease transactions were changed prospectively with effect from April 1, 2001 to comply with the requirements of Accounting Standard 19: Leases.
- c. For the financial year 2000-01 repossessed assets lying with the company for a period exceeding 9 months were valued at Rs.1000 per contract. From the financial year 2001-02 onwards the separate treatment of Stock on Hire in respect of repossessed assets was dispensed with and the same was stated at agreement value net of instalments due and Unmatured Finance Charges. The shortfall if any in the WDV of the assets to cover the principal portion in the Stock on Hire outstanding was provided for as NPA as per the Reserve Bank of India Guidelines.
- d. From the year ended March 31, 2005, in view of the opinion of the expert committee of The Institute of Chartered Accountants of India, the Own Investment in PTCs (Pass Through Certificates) is regrouped under Loans & Advances as Retained interest in securitised Assets.

In the restated financial statements, this regrouping has been done retrospectively.

- e. From the financial year 2001-02, company started securitising its loan assets. The accounting policy adopted in respect of securitised assets states as follows:

“Securitised assets are derecognised as the contractual rights therein are transferred to the special purpose vehicle or Buyer as the case may be. On derecognition, the difference between book value of the securitised asset 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 securitization.”

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

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Annexure V (e) Significant changes in the activities of the issuer which have had a material effect on the statement of profit/loss for the five years:

- a. In view of the regulatory changes relating to accounting and indirect taxes, etc., Leasing and Hire Purchase transactions have been discontinued with effect from 01-04-2001 and 01-04-2002 respectively.
- b. From the year 2001-02 Company has started securitising (without recourse) its future receivables on selective basis.
- c. Financing of pre-used vehicles and non-competitive vehicles in the passenger car segment was commenced in the year 2002-03.

Schedule i to Annexure II: Related Party Disclosures

The statement of related party disclosures of our Company as at and for the financial years ended March 31, 2002 to 2005 and period ended December 31, 2005 are as set out below:

A. The following are the related parties as per Accounting Standard 18 "Related Party Disclosure"

Holding Company :	Mahindra & Mahindra Limited
Subsidiary Company :	Mahindra Insurance Brokers Limited (w.e.f. April 07, 2004)
Company under control of Holding Company:	Mahindra Construction Company Limited (up to March 31, 2003)
Fellow subsidiary Companies :	As per list given below
Automartindia Limited	Mahindra Holidays & Resorts India Limited
Bristlecone (Singapore) Pte. Limited (w.e.f. February 21, 2003) (earlier known as Mahindra Consulting (Singapore) Pte. Ltd.)	Mahindra Holidays & Resorts USA Inc. (w.e.f. November 04, 2003)
Bristlecone (UK) Limited (earlier known as Mahindra Intertrade (UK) Ltd.)	Mahindra Infrastructure Developers Limited
Bristlecone GmbH (w.e.f. December 09, 2003) (earlier known as MBT PTE – Singapore)	Mahindra Intertrade Limited
Bristlecone Inc. (w.e.f. May 17, 2004)	Mahindra Logisoft Business Solutions Limited
Bristlecone India Limited (earlier known as Mahindra Consulting Ltd.)	Mahindra SAR Transmission Pvt. Limited (w.e.f. January 14, 2005)
Bristlecone Limited Cayman Islands (w.e.f. May 17, 2004)	Mahindra Shubhlabh Services Limited
Console Estate & Investments Limited (w.e.f. June 21, 2005)	Mahindra Steel Service Centre Limited
Mahindra & Mahindra South Africa (Pty)) Limited (w.e.f. October 20, 2004)	Mahindra USA, Inc
Mahindra Acres Consulting Engineers Limited	Mahindra MiddleEast Electrical Steel Service Center (FZE) (w.e.f. August 08, 2004)
Mahindra Ashtech Limited	MBT GmbH
Mahindra Engineering & Chemicals Products Limited	Mahindra-British Telecom Limited
Mahindra Engineering Design & Development Company Limited (w.e.f. December 27, 2004)	Mahindra Overseas Investment Company (Mauritius) Limited (w.e.f. December 24, 2004)
Mahindra Gesco Developers Limited (w.e.f. December 14, 2001) (earlier known as GESCO Corporation Ltd.)	MBT International Inc.
Mahindra Gujarat Tractor Limited	MBT Software Technologies Pte Ltd. (w.e.f. April 30, 2002) (earlier known as MBT PTE – Singapore)
Mahindra Holdings & Finance Limited	Mahindra (China) Tractor Company Limited (w.e.f. May 13, 2005)

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NBS International Limited Mahindra Automotive Steels Private Limited (w.e.f. May 27, 2005) Mahindra Europe S.r.l. (w.e.f. May 30, 2005) Mahindra – BT Investment Company (Mauritius) Limited (w.e.f. May 09, 2005) Mahindra Consulting Inc. (upto May 31, 2004) Mahindra Eco Mobiles Ltd. (upto June 30, 2003) Mahindra Realty & Infrastructure Developers Ltd. (upto April 01, 2002) Mahindra Entertainment Corporation Ltd. (upto April 01, 2002) Mega One Stop Farm Services Ltd. (upto March 20, 2002) Mahindra Alternative Technologies Ltd. (upto March 31, 2002) Rathna Bhoomi Enterprises Ltd. (upto March 28, 2002) Mahindra International Pvt. Ltd. (w.e.f. 01st November 2005) Mahindra Renault Pvt. Ltd. (w.e.f. 05th August 2005) Axes Technologies India (Private) Ltd. (w.e.f. 20th November 2005)	Mahindra Ugine Steel Company Limited (w.e.f. June 21, 2005) Mahindra World City Developers Ltd. (w.e.f. September 22, 2004) Mahindra World City (Jaipur) Ltd. (w.e.f. August 26, 2005) Mahindra Realty Ltd. (w.e.f. September 21, 2005) Mahindra Information Technology Services Ltd. (upto June 30, 2003) Mahindra Sintered Products Ltd. (upto June 30, 2002) Mahindra Auto Specialities Ltd. (upto March 31, 2002) E-Mahindra Solutions Ltd. (upto March 31, 2002) Mriyalguda Farm Solutions Ltd. (upto March 20, 2002) Kota Farm Services Ltd. (upto March 20, 2002) GESCO Corporation South Ltd. (upto March 27, 2002) Axes Technologies Inc. (w.e.f. 20th November 2005) Axes Technologies (Asia-Pacific) Pte. Ltd. (w.e.f. 20th November 2005)
Key Management Personnel : Mr. Ramesh Iyer (Managing Director)	

B The following transactions were carried out by the Company with the above parties:

Related Party Disclosures

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Holding Company:					
Mahindra & Mahindra Limited					
(a) Income earned:					
Hire Purchase / Lease / Loan income	15.3	14.6	20.2	5.4	0.0
Other income	0.0	0.0	0.0	8.6	15.4
(b) Expenses:					
Interest	9.1	17.7	29.1	31.4	18.5
(c) Purchase of shares:	0.0	0.0	0.0	0.4	0.0
(d) Finance:					
Non Convertible Debentures placed	50.0	105.9	357.1	360.7	0.0
Unsecured Bonds placed	40.0	40.1	40.0	40.1	452.7
Inter Corporate Deposits taken	60.0	0.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease	55.4	17.8	4.3	0.0	0.0
Dividend paid	0.0	70.2	123.5	200.0	208.3
(e) Other transactions:					
Reimbursement made to parties	5.9	7.2	6.9	2.9	2.5
Reimbursement from parties					
(f) Rights Issue of Share Capital:	0.0	0.0	0.0	470.6	0.0
(g) Balances outstanding at the year end:					
- Receivables	0.6	0.0	0.0	1.1	1.0
- Payables	0.5	1.7	2.8	33.0	32.0

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(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Subsidiary Company:					
Mahindra Insurance Brokers Limited					
(a) Income earned:					
Hire Purchase / Lease / Loan income	0.0	0.0	0.0	0.0	0.0
Other income	0.0	0.0	0.0	1.0	1.8
(b) Expenses:					
Interest	0.0	0.0	0.0	0.2	0.4
Other expenses	0.0	0.0	0.0	13.2	15.5
(c) Purchase of shares:	0.0	0.0	0.0	4.0	0.0
(d) Finance:					
Inter Corporate Deposits taken	0.0	0.0	0.0	4.0	29.4
Inter Corporate Deposits given	0.0	0.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease	0.0	0.0	0.0	0.0	0.0
(e) Other transactions:					
Reimbursement made to parties	0.0	0.0	0.0	0.0	0.0
Reimbursement from parties	0.0	0.0	0.0	1.4	0.6
(f) Balances outstanding at the year end:					
- Receivables	0.0	0.0	0.0	2.4	1.5
- Payables	0.0	0.0	0.0	1.3	7.1
Fellow Subsidiaries:					
(a) Income earned:					
Hire Purchase / Lease / Loan income					
Mahindra Shubhlabh Services Ltd.	0.5	0.6	0.6	0.5	0.2
Mahindra Astech Ltd.	0.1	0.1	0.2	0.2	0.0
Mahindra Consulting Ltd.	5.5	5.5	2.8	0.8	0.0
Mahindra Logisoft Business Solution Ltd.	2.1	2.1	0.7	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	6.1	1.1	0.0	0.0	0.0
Mriyalguda Farm Solutions Ltd.	0.1	0.0	0.0	0.0	0.0
Kota Farm Services Ltd.	0.1	0.0	0.0	0.0	0.0
GESCO Corporation Ltd.	0.1	0.0	0.0	0.0	0.0
Other income					
Automartindia Ltd.	0.0	3.6	5.1	0.8	0.0
Mahindra Intertrade Ltd.	0.0	0.0	0.1	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	3.3	1.7	0.0	0.0	0.0
Mahindra Information Technology Services Ltd.	0.1	0.0	0.0	0.0	0.0

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
(b) Expenses:					
Interest					
Mahindra Holdings & Finance Ltd.	1.1	0.6	0.4	0.5	0.1
Mahindra Infrastructure Developers Ltd.	0.0	0.0	0.5	0.0	0.0
Mahindra Sintered Products Ltd.	4.1	1.1	0.0	0.0	0.0
Mahindra Engg & Chemical Products Ltd.	1.7	0.0	0.0	0.0	0.0
Mahindra Intertrade Ltd.	0.0	0.3	0.0	0.0	0.5
NBS International	0.0	0.1	0.0	0.0	0.0
Mahindra Information Technology Services Ltd.	0.0	0.0	0.0	0.0	0.0
Mahindra Auto Specialities Ltd.	0.4	0.0	0.0	0.0	0.0
Other expenses					
NBS International	0.0	0.1	0.1	0.2	0.0
(c) Finance:					
Inter Corporate Deposits taken					
Mahindra Holdings & Finance Ltd.	2.0	15.0	12.7	9.1	0.0
Mahindra Sintered Products Ltd.	45.0	0.0	0.0	0.0	0.0
Mahindra Engg & Chemical Products Ltd.	27.5	0.0	0.0	0.0	0.0
Mahindra Auto Specialities Ltd.	5.0	0.0	0.0	0.0	0.0
Inter Corporate Deposits given					
Automartindia Ltd.	0.0	40.7	31.4	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	22.1	0.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease					
Mahindra Shubhlabh Services Ltd.	1.9	1.4	0.8	0.4	0.3
Mahindra Consulting Ltd.	9.1	2.7	0.1	0.0	0.0
Mahindra Logisoft Business Solution Ltd.	2.9	0.6	0.0	0.0	0.0
Mahindra Astech Ltd.	0.5	0.1	0.0	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	0.7	0.0	0.0	0.0	0.0
Kota Farm Services Ltd.	0.5	0.0	0.0	0.0	0.0
Mriyalguda Farm Solutions Ltd.	0.8	0.0	0.0	0.0	0.0
(d) Balances outstanding at the year end:					
- Receivables					
Mahindra Logisoft Business Solution Ltd.	0.1	0.2	0.0	0.0	0.0
Mahindra Consulting Ltd.	1.5	0.0	0.0	0.0	0.0
Mahindra Holidays & Resorts India Ltd.	0.0	0.0	0.0	0.0	0.0
- Payables					
Mahindra Ashtech Ltd.	0.0	0.0	0.0	0.0	0.0
NBS International	0.0	0.0	0.1	0.0	0.0
Mahindra Consulting Ltd.	0.0	0.1	0.0	0.0	0.0
Mahindra Eco Mobiles Ltd.	0.1	0.1	0.0	0.0	0.0
Kota Farm Services Ltd.	0.0	0.0	0.0	0.0	0.0

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

(Rs. Millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Company under the Control of Holding company					
Mahindra Construction Company Limited					
(a) Income earned:					
Hire Purchase / Lease / Loan income	4.7	0.0	0.0	0.0	0.0
Other income	0.0	0.0	0.0	0.0	0.0
(b) Expenses:					
Interest	0.0	0.0	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0	0.0	0.0
(c) Purchase of shares:	0.0	0.0	0.0	0.0	0.0
(d) Finance:					
Inter Corporate Deposits taken	0.0	0.0	0.0	0.0	0.0
Inter Corporate Deposits given	10.0	10.0	0.0	0.0	0.0
Net Receivable on Hire Purchase / Loan / Lease	8.1	0.0	0.0	0.0	0.0
(e) Other transactions:					
Reimbursement made to parties	0.0	0.0	0.0	0.0	0.0
Reimbursement from parties	0.0	0.0	0.0	0.0	0.0
(f) NPA Provisions:	32.4	44.0	0.0	0.0	0.0
(g) Balances outstanding at the year end:					
- Receivables	27.5	33.9	0.0	0.0	0.0
Lease					
Hire Purchase					
- Payables	0.0	0.0	0.0	0.0	0.0
Key Management Personnel:					
Remuneration	3.1	2.9	5.0	5.4	2.9

Annexure VI: Capitalisation Statement

(Rs. in million)

Particulars	Pre Issue as on 31.12.2005	As Adjusted for the Issue
Short Term Debt (Borrowings)	14,620.2	14,620.2
Long Term Debts @	21,897.7	21,897.8
Shareholder Funds #		
Share Capital	701.6	833.1*
Reserves	3,305.5	5,774.0*
Total Shareholder's Funds	4,007.1	6,607.1*
Long Term Debt / Equity	5	3

* Includes 3,157,895 Equity Shares issued @ Rs. 190/- per Equity Share to Copa Cabana on January 05, 2006 and 10,000,000 Equity Shares proposed to be issued @ Rs. 200/- per Equity Share under the Fresh Issue.

@ Including Preference Share Capital of Rs.500 millions

Excluding 26,86,550 shares of Rs.10/- each issued to Employees Stock Option Trust @ Rs.51/- per share

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Annexure VII: Tax Shelter Statement

(Rs. Millions)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Net Profit before Tax (Restated)	204.7	431.1	720.7	1,018.7	1,328.1
Income Tax Rate	39.6%	35.7%	36.8%	35.9%	36.6%
Notional Tax Liability	80.9	153.9	264.9	365.5	486.0
Adjustments:					
Timing Differences					
Difference between tax depreciation and book depreciation	(15.4)	(39.2)	(23.5)	(60.5)	(68.0)
Provisions/Income deferment on NPAs	45.7	221.6	233.9	206.8	272.2
(Profit) / Loss on sale of Asset	1.2	(5.8)	2.2	0.6	(5.6)
Section 43B adjustments	-	-	6.4	(4.0)	(2.2)
Software Expenses	-	(5.8)	3.2	4.0	3.5
Permanent Differences					
Dividend Income	-	-	-	-	(12.0)
Preliminary Expenses / Issue Expenses	0.7	0.3	0.0	3.5	0.5
(Profit) / Loss on sale of Investment	1.0	-	(3.0)	(8.5)	(0.3)
Donations	-	-	2.8	2.9	0.7
Other adjustments	0.5	0.5	0.6	0.6	9.1
Total Adjustments	33.6	171.7	222.7	145.4	197.8
Additional Tax thereon	13.3	61.3	81.8	52.2	72.4
Interest u/s 234B & 234C	2.2	5.7	5.5	1.5	0.0
Provision for tax					
Current Tax (Income tax & Wealth tax)	96.5	220.9	352.2	419.2	558.4
Deferred Tax	(17.4)	(57.8)	(73.3)	(51.4)	(52.9)
Total Tax Liability as per Restated P&L	79.1	163.1	278.9	367.8	505.5

NOTES:

1. NPA provision includes provision made on Securitised future receivables.
2. Other adjustments include Wealth Tax and Write back of non taxable provisions

Annexure VIII: Details of dividend declared for last five financial years
Equity Shares

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Face value of Equity Shares (Rs. per share)	10	10	10	10	10	10
Dividend (Rs. in million)	48.5	60.6	121.2	169.7	212.3	105.2
Dividend Tax (Rs. in million)	4.9	4.9	7.8	21.7	28.8	14.8
Dividend per Equity Share (Rs.)	0.80	1.00	2.00	2.80	3.50	1.5
Dividend Rate (%)	8	10	20	28	35	15

Preference Shares

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine months ending December 31, 2005
Face value of Preference Shares (Rs. per share)	-	-	-	-	100	100
Dividend (Rs. in million)	-	-	-	-	17.7	34.5
Dividend Tax (Rs. in million)	-	-	-	-	2.3	4.8
Dividend per Preference Share (Rs.)	-	-	-	-	6.9	6.9
Dividend Rate (%)	-	-	-	-	6.9	6.9

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

AUDITOR'S REPORT

(In respect of '**Consolidated Financial Information** of Mahindra & Mahindra Financial Services Ltd. and its Subsidiary Mahindra Insurance Brokers Ltd. (erstwhile Mahindra Allied Investments Ltd.))

To

The Board of Directors

Mahindra & Mahindra Financial Services Ltd.

Mumbai

In terms of the appointment for the purpose of certification of the consolidated financial information of Mahindra & Mahindra Financial Services Ltd ('the Company') and its 100% Subsidiary Mahindra Insurance Brokers Ltd. ('Subsidiary'), annexed to this report, which is required to be prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines'), issued by Securities and Exchange Board of India ('SEBI') on 19 January 2000 in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992, as amended from time to time, we state as follows:

The financial information is proposed to be included in the Offer Document of the Company in connection with the public issue and sale of equity shares.

Mahindra Insurance Brokers Ltd. became subsidiary of 'the Company' on 7th April 2004.

Under Clause 6.10.2.3 of Chapter VI of the Guidelines we are required to report on the Consolidated Financial Information of 'the Company' and its 'Subsidiary/ies'.

We have examined the annexed restated consolidated statements of assets and liabilities of the Company and its Subsidiary as at 31 December 2005 and 31 March 2005 and the annexed restated consolidated statements of Profit and loss of 'the Company' and its 'Subsidiary' for the nine-months period ended 31 December 2005 and year ended on 31 March 2005 ('the summary financial statements')

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 the basis of the separate audited restated financial statements of 'the Company' and its 'Subsidiary'.

The summary financial statements have been extracted from the Consolidated Financial Statements for the nine-months period ended 31 December 2005 and year ended 31 March 2005, which were audited by us.

In accordance with the requirements of Clause B of Part II of Schedule II to the Companies Act, 1956 and SEBI (Disclosure and Investor Protection) Guidelines, 2000, we have examined the following:

1. The audited consolidated Profit and Loss account of the Company and its Subsidiary (**Annexure I**) for the year ended 31 March 2005 and nine-months period ended 31 December 2005 consolidated Statements of Assets and Liabilities (Balance Sheets) of the Company and its Subsidiary (**Annexure II**) as on 31 March 2005 and 31 December 2005 and the Consolidated Cash Flow Statement for the same year / period. (**Annexure III**).
2. The significant accounting policies applied for the consolidated financial statements for the nine months period ended 31 December 2005. (**Annexure IV**)

On the basis of our examination of above referred financial information we state as follows:

1. With respect to the restatement of Financial Statements we have taken a view that:

As per the SEBI Guidelines adjustments to Profit and Loss account are required to be done in respect of following items, which are disclosed in the audited financial statements of the respective years:

- a. changes in accounting policies,
- b. prior period items,

-
- c. rectification of incorrect accounting policies, and
 - d. material amounts relating to the adjustments for previous years identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which event triggering profit or loss occurred.
2. The summary statements have been restated with retrospective effect to reflect the significant accounting policies adopted by the Company as at 31 December 2005, as disclosed in the audited consolidated financial statements.

Mahindra Insurance Brokers Ltd. became subsidiary of 'the Company' during financial year ended as on 31 March 2005, (i.e. on 7 April 2004). Hence consolidated financial information for year ended 31 March 2005 and nine-months period ended 31 December 2005 is given and consolidated financial information for any previous year/s or period/s is considered not applicable.

The Company's management is responsible for the preparation of the restated summary financial statements. Our responsibility is to report based on the work done. We have performed such tests and procedures, which, in our opinion, were necessary for our reporting to you. These procedures include comparison of the annexed financial information with the Company's audited financial statements. Based on such procedures carried out by us and review of the records produced to us and the information and explanations given to us by the Company's management, we confirm that nothing has come to our attention to show non-compliance with the SEBI Guidelines.

This report is intended solely for your information and for the Company to comply with the provisions of the SEBI Guidelines and may not be suitable for any other purpose. The report is not to be used, referred to or distributed for any other purpose without prior written consent.

Yours Sincerely,

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

Padmini Khare Kaicker
Partner

Membership Number: 44784
Dated: 3 February 2006

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Annexure I: Consolidated Statement of Profits and Losses, as Restated

Rs. Millions

For the year / period ended	Mar-05	Dec-05
Income		
Interest Earned	3,770.0	3,660.1
Lease Rentals	6.0	0.7
Income from Securitisation	193.3	251.9
Income from Insurance Broking	21.0	33.7
Other Income	77.3	68.3
Total Income	4,067.6	4,014.7
Expenditure		
Interest & Bank Charges	1,331.8	1,517.3
Commission & Brokerage	182.9	150.9
Staff Costs	271.8	289.3
Provisions for Non Performing Assets/Bad Debts/Loss on terminations	560.0	633.7
Depreciation and amortisation	38.6	36.2
Administrative Expenses	326.8	424.3
Total Expenditure	2,711.9	3,051.7
Profit before tax	1,355.7	963.0
Provision for Taxes/Current Tax	568.7	412.9
Provision for Fringe Benefit Tax	0.0	10.2
Deferred Tax	(53.0)	(94.7)
Income Tax Provision written back (net)	-	-
Net Profit	840.0	634.6

Annexure II: Consolidated Statement of Assets and Liabilities, as Restated

Rs. Millions

As on	Mar-05	Dec-05
Fixed Assets		
Gross Block	251.9	324.9
Less: Depreciation	83.5	111.0
Net Block	168.4	213.9
Less Revaluation Reserves	-	-
Net Block after adjustment for revaluation reserves	168.4	213.9
Intangible Assets	6.3	13.3
Investments	362.8	74.2
Current Assets, Loans and Advances		
Stock on Hire/Loans against assets	26,310.6	36,628.7
Sundry Debtors	1,297.6	1,812.6
Other Current Assets	371.1	465.1
Cash and Bank Balances	1,128.3	1,167.8
Loans and Advances	1,493.5	2,992.1
	30,601.2	43,066.3
Liabilities and Provisions		
Preference Share Capital	500.0	500.0
Secured Loans	22,035.4	28,834.4
Unsecured Loans	2,501.8	7,154.6
Current Liabilities and Provisions	2,528.0	2,811.5
	27,565.2	39,300.5
Net Worth	3,573.5	4,067.2
Represented by		
Share capital	701.6	704.9
Employee Stock Option Outstanding	0.0	2.0
Reserves	2,871.9	3,360.3
Less: Revaluation Reserves	-	-
Reserves(Net of Revaluation Reserves)	2,871.9	3,360.3
Net Worth	3,573.5	4,067.2
Minority interest	-	-

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Annexure III: Consolidated Cash Flow Statement, as Restated

Rs. Millions

Particulars		Mar-05	Dec-05
A Cash Flow from Operating Activities			
Profit before taxes and contingencies		1,355.8	963.0
Add/(Less):			
Non Cash Expenses:			
Depreciation incl. Lease equalisation Adjustment		35.1	30.6
Amortisation on Intangible Assets		3.5	5.6
Provision for non-performing assets (net)		150.4	313.1
Employee Compensation expense on account of ESOS		-	2.0
		189.0	351.3
Add/(Less):			
Income considered separately:			
Income received on investing activities		(14.4)	(38.7)
(Profit)/Loss on sale of assets		4.4	0.9
(Profit)/Loss on sale of Investment		(0.3)	(0.5)
Income from Securitisation		(203.5)	(255.1)
		(213.8)	(293.4)
Operating profit before working capital changes	(I)	1,331.0	1,020.8
Less:			
(Increase)/Decrease in interest accrued investment/others		(2.1)	0.8
(Increase)/Decrease in Stock on hire (net)		759.7	16.6
(Increase)/Decrease in Trade receivables		(460.7)	(803.4)
(Increase)/Decrease in Loans & Advances		(14,226.7)	(13,768.0)
(Increase)/Decrease in Leased assets (net)		17.0	-
		(13,912.7)	(14,554.0)
Add: Increase in Current liabilities		295.3	489.1
	(II)	(13,617.4)	(14,064.9)
Cash generated from operations	(I+II)	(12,286.5)	(13,044.1)
Advance taxes paid		(621.1)	(420.6)
		(12,907.6)	(13,464.7)
Net Cash from Operating Activities (A)		(12,907.6)	(13,464.7)
B Cash Flow from Investing Activities			
Purchase of fixed assets		(95.3)	(82.1)
Sale of fixed assets		6.7	5.1
Purchase of Investments		(363.9)	(34.2)
Sale of Investments		53.8	323.2
Purchase of Software		(7.6)	(12.6)
Income received on investments		14.4	38.7
Net Cash from Investing Activities (B)		(391.9)	238.1

Rs. Millions

Particulars	Mar-05	Dec-05
C Cash Flow from Financing Activities		
Issue of Preference Shares	500.0	
Issue of Equity Shares through Rights Issue	476.6	
Issue of Equity Shares through ESOS		17.0
Increase/(Decrease) in Bank borrowings (net)	371.6	33.5
Increase/(Decrease) in long term borrowings (net)	8,251.0	5,555.5
Increase/(Decrease) in short term borrowings (net)	268.6	5,990.8
Increase/(Decrease) in Fixed Deposits (net)	(66.9)	(128.0)
Proceeds from Securitisation	3,663.5	2,183.8
Dividend paid	(252.8)	(284.2)
Net Cash from Financing Activities (C)	13,211.6	13,368.3
Net Increase / (Decrease) In Cash and Cash Equivalent (A+B+C)	(87.8)	141.8
Cash And Cash Equivalents**		
At The:		
Beginning of the period	763.5	675.6
End of the period	675.6	817.4

** Cash and Cash Equivalents does not include 'cash collaterals' for securitised debts.

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Annexure IV: Consolidated Notes on Accounts for the Period ended December 31, 2005

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. Further, the Company follows directions issued by The Reserve Bank of India for Non-Banking Financial Companies.

2) Stock on Hire / Future Receivables:

Stock on hire / Future receivables are stated at agreement value net of instalments due less unmaturred finance charges.

3) Depreciation:

Depreciation on fixed assets, other than leased assets and repossessed assets capitalised for own use, has been charged using 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 based on the estimated useful life of the asset. Assets costing less than Rs.5000/- are fully depreciated in the year of purchase.

Leased assets (acquired prior to April 1, 2001) are depreciated at rates specified in Schedule XIV to the Companies Act, 1956 as required by the old Guidance note on lease accounting issued by the Institute of Chartered Accountants of India prior to issuance of Accounting Standard 19 on leasing transactions. To ensure capital recovery over the primary lease period, the difference between the depreciation charged as computed using the IRR implicit in the lease and the charge as disclosed for the year, is reflected in the lease equalisation account.

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 'Owned Assets'.

4) Revenue Recognition:

- a) General: Accrual method of accounting is being followed for income and expenditure except delayed payment charges 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.
- b) Income from Lease: Finance earnings on lease transactions are calculated by applying the interest rate implicit in the lease, to the investment in the leased assets, as reduced by the Net Present Value of the lease instalments falling due.
- c) Income from Hire Purchase: Income from Hire Purchase transactions entered into prior to April 1, 2001 is accounted for on equated basis in accordance with the terms of the contract (except in some cases in which it is accounted for by applying the interest rate implicit in such contracts). For Hire Purchase transactions entered into by the company on or after April 1, 2001 the income is accounted for by applying the interest rate implicit in such contracts.
- d) Income from Loan: Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.
- e) 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.
- f) 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.

- g) Income from Securitization: Securitised assets are derecognised as the contractual rights therein are transferred to the special purpose vehicle or Buyer as the case may be. On derecognition, the difference between book value of the securitised asset 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 securitization.

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

- h) Income from Investments:

- i. Dividend from investments is accounted for as income when the right to receive dividend is established.
- ii. Interest income is accounted on accrual basis

5) Fixed Assets:

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

Assets held for sale are stated at the lower of their net book value and net realisable value.

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 (other than in respect of the contracts for the acquisition of fixed assets) 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 (other than those for acquisition of fixed assets and technical know-how) the exchange differences are recognised in the Profit and Loss account.

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.

8) Retirement Benefits:

The Company's liability towards gratuity and superannuation to its employees is covered by a group gratuity policy with LIC of India. Charge to Profit and Loss includes premium paid to LIC of India and change in Actuarial valuation during the year net of fund value available.

Liability on account of encashment of leave to employees is provided on the basis of actuarial valuation.

9) 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. All other borrowing costs are charged to revenue in the year of incurrence.

10) Segment Reporting:

The accounting policies adopted for segment reporting are in line with the accounting policies of the parent company. Segments are not applicable in respect of individual financial statements of the Parent and Subsidiary Company.

For consolidated financial statements, segments are identified having regard to the dominant source and nature of risks and returns.

Revenue and expenses have been identified to the segments based on their relationship to the business activity of the segment. Income / Expenses relating to the enterprise as a whole and not allocable on reasonable basis to business segments are reflected as unallocated corporate income/expense.

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11) Leasehold 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 tax income will be available against which such deferred tax assets can be realised.

As required under AS 25 on Interim Financial Reporting, for any interim financial statements, provision for current tax & deferred tax is worked out on the basis of annual effective income tax rate applied to the pre-tax income for that period.

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.

- a) Software Expenses: Software expenses are either treated as revenue expense or treated as Intangible Assets which are amortised over a period of 3 years depending upon the type of software and evaluation of future benefits there from.
- b) Goodwill: Goodwill arising on consolidation is not amortised.

14) Miscellaneous Expenditure:

Preliminary Expenses: Preliminary and pre-operative expenses are amortised over a period of five years.

15) Impairment of Assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An 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 recent value as determined above.

16) 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.

17) Share Issue Expenses:

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

18) 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.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our aggregate borrowings as of January 31, 2006:

Category of Borrowing	Outstanding Amount (Rs. in million)
Term Loan	6,232.0
Secured non convertible debentures	25,230.0
Unsecured non convertible debentures	1,050.0
Subordinated debt	2,190.0
Commercial paper	2,750.0
Inter-Corporate Deposits	35.6
Foreign currency non repatriable loans	494.4
Fixed deposits	151.9
Cash Credit Bank Borrowings	1,329.2
Total Borrowings	39,463.1

Restrictive Covenants under the lenders' agreements about capital structure

As per the term loan Agreements with the Lender we are required to observe the following covenants:

- Overall Risk Weighted Capital Adequacy Ratio to be at least 12%
- Current Ratio @ minimum of 1.33:1
- Shareholding covenants that Mahindra & Mahindra Ltd continues to hold 51% during the tenor of our facilities.

As per the Loan Agreement with the Lender we are obligated to not to do the following without the prior consent of the lender:

- To enter into any scheme of compromise, reconstruction or amalgamation.
- To change the nature or scope of its business, cease or suspend all or a substantial part of its business operations
- To substantially alter the nature of its borrowings powers and principal business activities
- To sell, alienate, lease or otherwise dispose of all or substantially all or any of its business or consolidate or merge with any other corporation.
- To invest by way of share capital or loan or advance funds to or place deposit with any other concern, except normal trade credit or security, in the normal course of business or advance to its employee.
- To undertake guarantee obligation on behalf of any third party or any other company.
- To declare dividends for any year except out of profits relating to that year.
- To enter into borrowing arrangement on secured basis with any other bank, financial institution, company or otherwise save and except the working capital facilities granted/to be granted by other consortium-member banks, under consortium arrangements with the bank.
- To amend or alter any provision in its Memorandum and Articles of Association relating to the borrowing powers of the lender and principal business activities without prior intimation of the bank.

Each series of debenture have been secured by pari passu charge over immovable assets of the Company. In addition, as per the trust deed, we have been obligated to obtain prior approval of the trustee:

- If, any hypothecated land, buildings, structures, plant and machinery of the Company are sold, disposed off, charged, encumbered or alienated or the said buildings, structures, plant and machinery or other equipment are removed, pulled down or demolished.

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- If the Company, Trustees, make or attempt to make any alteration in the provisions of its Memorandum and Articles of Association which might in the opinion of the trustees detrimentally affect the interests of the debentureholders and shall upon demand by the trustees refuse or neglect or be unable to rescind such alteration.
- To declare or pay any dividend to its shareholders during any financial year unless it has paid the instalment of principal and interest then due and payable on the debentures, (except disputed cases) or has made provisions satisfactory to the trustees for making such payment.
- To sell or dispose of the mortgaged premises or any part thereof or create thereon any mortgage, lien or charge by way of hypothecation, pledge or otherwise howsoever or other encumbrance of any kind whatsoever.
- To repurchase the debentures at any time prior to the final redemption thereof and to cancel or reissue the same.
- To create any further mortgage or charge on the specifically mortgaged properties until the debentures are fully redeemed.

We have, for this Issue, received approval from all our lenders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations relating to our Company on a standalone basis together with our audited restated unconsolidated financial statements as of and for the three years ended March 31, 2003, 2004, 2005, and for the nine months ended December 31, 2005, including the significant accounting policies, the notes thereto and the reports thereon in the section titled "Financial Statements" on page 140 of this Prospectus. These financial statements have been prepared in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from U.S GAAP and International Financial Reporting Standards.

You should also read the section titled "Risk Factors" on page xi of this Prospectus and "Selected Statistical Information" under this section. Our Fiscal ends on March 31 of each year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that Fiscal. For a description of our business, please refer to the section titled "Our Business" on page 43 of this Prospectus.

Factors Affecting our Financial Results

The majority of our income is earned from providing loans for the acquisition of utility vehicles, tractors and cars in rural and semi-urban areas in India while our major expense comprises interest expense on short and medium term loans from banks as well as borrowings through instruments such as debentures and commercial paper.

Our financial results will be influenced by the macroeconomic factors relating to growth in the Indian economy in general and in particular the continued growth of the agricultural sector and the automobile industry. We are also vulnerable to volatility in interest rates in India and to regulatory changes relating to NBFCs.

Our business is subject to various other risks and uncertainties, including those discussed in the section titled "Risk Factors" on page xi of the Prospectus. The following is a discussion of certain factors that have had, and we expect will continue to have, a significant effect on our financial results

Economic growth in India and its impact on our business

Our financial condition and results of operations are influenced by the general economic conditions prevailing in India. The Indian economy has grown steadily over the past three years. GDP growth was 4.0% in Fiscal 2003, 8.5% in Fiscal 2004 and 6.9% in Fiscal 2005 (*Source: Central Statistical Organisation Ministry of Statistics and Programme Implementation*). GDP growth in Fiscal 2003 was adversely affected by insufficient rainfall, which contributed to a decrease in agricultural production. GDP growth picked up in Fiscal 2004 due to, among other factors, agricultural production recovery, resurgence of the industrial sector and continued growth in the services sector. GDP growth was lesser in Fiscal 2005 compared with Fiscal 2004 primarily due to a smaller increase in the growth of the agricultural sector.

The Indian economy recorded an impressive performance during the first quarter (April-June) of Fiscal 2006. GDP growth in the first quarter of Fiscal 2006 accelerated to 8.1% per annum as compared to 7.5% for the corresponding first half of Fiscal 2005 (*Source: Central Statistical Organisation Ministry of Statistics and Programme Implementation*). This improved performance was driven by a growth in industrial activity and robust services sector growth.

In its mid-term review published on October 25, 2005, the RBI has forecasted GDP growth for Fiscal 2006 at 7 - 7.5%.

The growth prospects of our business, including the quality of our assets and our ability to grow our asset portfolio and implement our strategy, are influenced by the growth rate of the rural economy and in particular the agricultural sector and the level of investment in road infrastructure in India. The level of credit disbursed, recovery of loans and demand for vehicles are all affected by these factors. Any slow down in the growth of the economy, vehicle sales and in the agricultural sector, coupled with inflationary pressures or any change in government policy, could adversely impact our business.

Regulatory policies for NBFCs

Being a financial intermediary, our operations are regulated by the RBI. We are presently required by the RBI to maintain a minimum capital adequacy of 12%. In addition, the RBI also requires us to transfer 20% of our annual profits to a reserve fund. NBFCs accepting public deposits are subject to strict supervision of the RBI. We are however required to maintain liquid assets in the form of investment in approved securities and unencumbered term deposits to the extent of 15% of the

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outstanding public deposits. With effect from April 1, 2005, for the time being, we have suspended accepting/ renewing public deposits. The RBI also requires us to make provisions in respect of NPAs. As a prudent practice, we make additional provisioning for NPAs at a faster rate than that prescribed by the RBI.

Any changes in the regulatory framework affecting NBFCs including the provisioning for NPAs or capital adequacy requirements could adversely affect our profitability and consequently our net worth. Any additional requirements, for example in relation to securitization, accessing foreign funds or lending restrictions imposed on banks' lending to NBFCs could adversely affect our growth.

Availability of cost effective funding sources and impact of interest rate volatility and competition.

For the three years prior to Fiscal 2005, there has been a general downward movement in the interest rates due to the RBI's policy of ensuring adequate liquidity in the banking system and generally lowering the rate at which it would lend to Indian banks. Banks and NBFCs generally followed the direction of bank rates set by the RBI and adjusted both their deposit rates and lending rates downwards up until the second half of Fiscal 2005 (*Source: Reserve Bank of India: Handbook of Statistics on Indian Economy, 2002, Annual Report 2003-2004 and Weekly Statistical Supplements and Annual Policy Statement 2005-06*). Inflationary trends in India which emerged in Fiscal 2005 have resulted in a series of increases in benchmark secondary market yields on government securities. In its mid-term review of the annual policy statement for Fiscal 2005 released in October 2004, the RBI raised the reverse repo rate (i.e. the annualized interest earned by the lender in a repurchase transaction between a bank and the RBI) by 25 basis points to 4.75% in response to inflationary pressures in the economy. The RBI also increased the cash reserve ratio required to be held by Indian banks from 4.75% to 5.0% with effect from October 2004. In its annual policy statement for Fiscal 2006, announced in April 2005, the RBI again raised the reverse repo rate by 25 basis points to 5.0%. The RBI raised its reverse repo by 25 basis points in October 2005 and again in January 2006 to 5.50%.

Our ability to meet demand for new loans will depend on our ability to obtain additional debt. Our debt service costs and costs of funds depend on many external factors, including developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Internal factors which will impact our cost of funds include changes in our credit ratings, available credit limits and access to the securitization market. With the growth of our operations we have had to increasingly access the debt capital markets and commercial borrowings and we have generally benefited from competitive interest rates. We have also benefited from securitising some of our future receivables and selling part of our loan portfolio in the market at a relatively low yield resulting in an overall reduction of our cost of servicing our debt capital. We have been able to offer competitive interest rates for our loans due to our competitive cost of funds. An increase in our cost of funds may reduce spreads earned on our loan products. Furthermore, competition from banks and other NBFCs continues to increase in rural and semi-urban India, and as a result there could be further downward pressure on our Gross Spread.

Credit Quality, Write-Offs and Provisions

The credit quality of our loans is a key driver of our results of operations, as quality loans help reduce the risk of losses from loan impairment. Our level of NPAs is a function of our credit quality, which is further dependent upon our credit appraisal processes and recovery procedures.

We are in the process of increasing the level of connectivity between our branches across India with a new application system which will be completed by 2007. We believe this will improve the application of uniform standards throughout all our major branches and assist our credit risk management and recoveries. In addition, in order to improve recoveries, we established an asset recovery department in 2005, to work alongside external collection agencies, to improve recovery of overdue amounts on loans in default. We believe that these improved recovery processes and system connectivity will improve recoveries on defaulted loans.

Impairment losses

Statutory provisions are required to be made in respect of sub-standard, doubtful and loss assets as per RBI directives. Our Audit Committee has approved a policy to make provisions at a faster rate than that prescribed by RBI and we may make further provisions if we determine that it is prudent for a known and identified risk. Based on our policy, our provisions as of December 31, 2005 stood at Rs. 1,462.8 million as compared to the RBI required provision of Rs. 936.8 million.

Performance of the automobile industry

The automobile industry continued to maintain positive growth in 2004-05. The tractor industry also registered an increase in growth with a good monsoon and Government initiatives resulting in improved liquidity in rural and semi-urban areas.

In Fiscal 2005, an estimated 1.1 million passenger cars and utility vehicles were sold and an estimated 0.2 million tractors were sold. Tractor and utility vehicle sales are expected to steadily increase and significant growth is expected in sales of passenger cars. (Source: CRIS INFAC Cars and Utility Vehicles Annual Review, published in May 2005 and CRIS INFAC – Tractors Annual Review, published in August 2005 and Tractors Update July 2005)

The growth in demand for passenger cars and utility vehicles is driven by:

- growth in disposable incomes in India;
- competitive pricing;
- a reduction in excise duties;
- lower EMIs owing to lower rates and longer tenures; and
- increase in the availability of finance.

Critical Accounting Policies

Accounting policies are particularly important because of their significance to the financial statements. Our significant accounting policies are more fully described under notes to audited restated unconsolidated financial statements under section titled “Financial Statements” on page 140 of the Prospectus. We have identified the following critical accounting policies.

Revenue Recognition

General

We follow the accrual method of accounting for our income and expenditure except in relation to delayed payment charges and interest on trade advances, which, on account of uncertainty of ultimate collection, are accounted for on a receipt basis. Also in accordance with the guidelines issued by the RBI for NBFCs, income on business assets classified as NPAs, is recognised only on a receipt basis.

Income from Leases

Finance earnings on lease transactions are calculated by applying the interest rate implicit in the lease, to the investment in the leased assets, as reduced by the Net Present Value of the lease instalments falling due.

Income from Hire Purchase

Income from hire purchase transactions entered into prior to April 1, 2001 is accounted for on equated basis in accordance with the terms of the contract (except in some cases in which it is accounted for by applying the interest rate implicit in such contracts). For hire purchase transactions entered into by us on or after April 1, 2001 the income is accounted for by applying the interest rate implicit in such contracts.

Income from Loans

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

Income from Subvention/Service/Document Charges

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

Income from Securitization

Securitized assets are derecognised from the balance sheet as the contractual rights therein are transferred to a special purpose vehicle or buyer, as the case may be. On such transfer, the difference between book value of the securitized asset and consideration received, as reduced by the estimated provision for loss/expenses and incidental expenses related to the transaction, is recognized as a gain or loss arising on securitization. Income on retained interest in securitized assets is booked on an accrual basis. To the extent that the provisions made on the entry into a securitization transaction are not required they are reversed to income in the year that the securitization is completed.

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Income from Investments

- i. Dividend from investments is accounted for as income when the right to receive dividend is established.
- ii. Interest income is accounted on accrual basis.

Depreciation

Depreciation on fixed assets, other than leased assets and repossessed assets capitalised for own use, has been charged using a 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 based on the estimated useful life of the asset. Assets costing less than Rs. 5000/- are fully depreciated in the year of purchase. Repossessed assets that have been held for own use are depreciated at 15% per annum using a straight line method. The same have been grouped under the head "Owned Assets".

Leased assets (acquired prior to April 1, 2001) are depreciated at rates specified in Schedule XIV to the Companies Act as required by the old Guidance note on lease accounting issued by the Institute of Chartered Accountants of India prior to issuance of AS 19 on leasing transactions. To ensure capital recovery over the primary lease period, the difference between the depreciation charged as computed using the internal rate of return implicit in the lease and the charge as disclosed for the year, is reflected in the lease equalisation account.

Taxes on income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is determined, subject to considerations of prudence, to reflect timing differences, being the difference between taxable income and accounting income that originates in one period and is capable of reversal in one or more subsequent fiscal periods. Deferred tax assets arising on account of unabsorbed depreciation or on the carry-forward of tax losses are recognized only to the extent that there is a virtual certainty, supported by convincing evidence, that sufficient future taxable income will be available against which such deferred tax assets can be offset.

As required under AS 25 on Interim Financial Reporting, for any interim financial statements, provision for current tax and deferred tax is worked out on the basis of annual effective income tax rate applied to the pre-tax income for that period.

The Principal Components of our Statement of Profits

Income

Interest earned

Interest earned consists of income from loans, hire purchase, bills and income on retained interests in securitized assets.

Lease rentals

Finance earnings on lease transactions are calculated by applying the interest rate implicit in the lease, to the investment in the leased assets, as reduced by the Net Present Value of the lease instalments falling due.

Income from securitization

Interest from securitization consists of the difference between the book value of the securitized asset and consideration received as reduced by the estimated provision for loan losses on the portfolio sold and for the incidental expenses relating to the transaction.

Other income

Other income consists of income from long term investment (trade/ treasury bills), dividend received and interest on inter-corporate deposits (ICDs), interest on term deposits (as collaterals for securitized assets), profit/ premium on sale/ redemption of long term investment and bad debt recoveries.

Expenditure

Interest costs

Interest consisting of interest on borrowings, which includes interest, paid on fixed loans, debentures and others obligations.

Commission and Brokerage

Commission and Brokerage represents the amounts paid to third parties in respect of the acquisition of customers.

Staff costs

Staff costs includes salary, bonus and incentives, our contributions to the provident fund and superannuation fund, encashment of leave allowances and staff welfare.

Provisions and writeoffs

Provisions and writeoffs include bad debts and write-offs, provisions for NPAs as per the RBI norms and additional provisions for NPAs under our policy.

Administrative expenses

Administrative expenses include electricity charges, rent, repairs and maintenance (building/others), insurance, rates and taxes, bank charges (primarily cash management charges), directors remuneration, legal and professional charges, third party agency costs (recovery) loss on sale/retirement of owned assets, auditors remuneration, donations, general and administrative expenses.

Financial Performance Indicators

We use a variety of indicators to measure our performance. For the purposes of these financial performance indicators, total assets include net fixed assets, intangible assets, investments, current assets, loans and advances and deferred tax. Interest costs exclude bank charges (primarily cash management charges). The following financial performance indicators are presented in tabular form in "Selected Statistical Information" under this section.

- Percentage of Income to Average Total Assets.
- Average Cost of Borrowing is the percentage of interest costs to average borrowings.
- Gross Spread is the difference between the total income earned by us and interest expenditure incurred by us measured as a percentage of our Average Total Assets.
- Effective tax rate is the ratio of total tax expenses (including deferred tax) to the profit before tax.
- Return on Average Total Assets is the ratio of profit after tax to average total assets, which represents the profits earned by us in relation to the average total assets.
- Net NPA to Total Assets is the ratio of our non-performing loans and advances excluding securitised assets less provisions to our Total Assets.

Summary of our Financial Results

The following sets forth a summary of our financial results containing significant items of our income and expenditure based on our unconsolidated financial results annexed to the auditors report as of and for the Fiscals ended Fiscal 2003, 2004 and 2005 and nine month period ended December 31, 2005 as set out in the section titled "Financial Statements" on page 140 of this Prospectus and also for the nine month period ended December 31, 2004.

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Statement of Profits and Losses

(Rs. in million)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine month period ended December 31, 2004	Nine month period ended December 31, 2004
Income					
Interest Earned	2,243.3	2,787.0	3,770.0	2,602.4	3,660.1
Lease Rentals	83.4	28.0	6.0	5.5	0.7
Income from Securitisation	106.4	146.6	193.3	114.9	251.9
Other Income	26.5	52.0	78.3	59.2	70.3
Total	2,459.6	3,013.6	4,047.6	2,782.0	3,983.0
Expenditure					
Interest	832.5	929.3	1,283.7	892.3	1,479.1
Bank Charges	29.1	40.5	48.2	35.5	38.5
Commission & Brokerage	103.3	139.5	182.9	137.9	150.9
Staff Costs	124.2	180.0	271.4	193.4	284.3
Provisions and writeoffs	395.8	414.0	560.0	449.8	631.7
Depreciation and Amortisation	87.9	50.0	38.5	28.4	36.1
Administrative Expenses	166.1	241.6	334.8	220.5	435.7
Total	1,738.9	1,994.9	2,719.5	1,957.8	3,056.3
Profit before tax	720.7	1,018.7	1,328.1	824.2	926.7
Provision for Taxes/Current Tax	352.2	419.2	558.4	342.8	399.9
Provision for Fringe Benefit Tax	0.0	0.0	0.0	0.0	10.2
Deferred Tax	(73.3)	(51.4)	(53.0)	(48.0)	(94.1)
Net Profit	441.8	650.9	822.7	529.4	610.7

Summary for the nine month period ended December 31, 2005 as compared to nine month period ended December 31, 2004

Income

Our income increased by 43.2% from Rs. 2,782.0 million for the nine month period ended December 31, 2004 to Rs. 3,983.0 million for the nine month period ended December 31, 2005. The significant items of our income are income from loans and securitization. However, the ratio of Income to Average Total Assets (annualised) decreased from 14.6% for the nine month period ended December 31, 2004 to 14.0% for the nine month period ended December 31, 2005 mainly on account of a decline in lending rates due to competitive pressures and a change in our product mix.

Interest earned

(Rs. in million)

	December 31, 2004	December 31, 2005
Income from Bills	1.9	3.0
Income from Hire Purchase	183.6	83.0
Income from Loans	2,384.6	3,537.7
Income from Retained Interest in Securitized Assets	32.3	36.4
Total	2,602.4	3,660.1

Our interest income increased by 40.6% from Rs. 2,602.4 million for the nine month period ended December 31, 2004 to Rs. 3,660.1 million for the period ended December 31, 2005 primarily due to a 49.7% increase in Loan Assets. The general growth in our income from loans was due to several factors, including positive growth of the automobile industry resulting in a surge in demand for utility vehicles, and passenger cars. This increase in Loan Assets reflects the positive factors affecting the automobile sector in India described above as well as our own marketing efforts and our larger branch networks, particularly in rural and semi-urban areas.

Our income from hire purchase continues to decrease due to the cessation of new hire purchase business with effect from April 1, 2002 following changes in the tax regime.

Interest earned on retained interest in securitized assets relates to interest on loan assets provided as additional collateral on securitization transactions

Lease rentals:

Our income from lease rentals decreased from Rs. 5.5 million for the nine month period ended December 31, 2004 to Rs 0.7million for the nine month period ended December 31, 2005 reflecting the cessation of new leasing business from April 1, 2001 following changes in the tax regime and closure of existing contracts on maturity and early termination.

Income from Securitization

Income from securitization increased by 119.2% from Rs. 114.9 million for the nine month period ended December 31, 2004 to Rs. 251.9million for the nine month period ended December 31, 2005 reflecting an increase in the level of securitization of our assets as well as the write-back of loss provisions made on previous securitization transactions. The gains arising from the sale of contracts in securitization transactions depend on a number of factors including the tenor, yield of the portfolio securitized and discounting rate. A net write back of Rs. 61.2 million was added to our income from securitization for the nine month period ended December 31, 2005 after providing for future servicing costs and estimated losses of the securitized pools of loans, as against a provision of Rs. 96.2 million for the nine month period ended December 31, 2004. This was due to write-back of unutilised loss provisions on the maturity of two securitization transactions and change in basis of provisioning. We plan to securitise assets from time to time depending on interest rates, capital adequacy requirements, availability of suitable assets and market conditions.

Other income

Our Other Income increased by 18.8% from Rs. 59.2 million for the nine month period ended December 31, 2004 to Rs.70.3 million for the nine month period ended December 31, 2005, mainly on account of higher income from increased short term investments in debt mutual funds.

Expenditure

Interest expense

Our interest expense increased by 65.7% from Rs. 892.3 million for the nine month period ended December 31, 2004 to Rs. 1,479.1 million for the nine month period ended December 31, 2005. This increase was due to an increase in our total interest bearing liabilities from Rs. 24,078.9 million as of December 31, 2004 to Rs 36,017.9million as of December 31, 2005, reflecting the increased borrowings to fund the growth of our business. The ratio of interest cost to average borrowings (annualised) was 6.5% for the nine month period ended December 31, 2005 as against 6.0% for the nine month period ended December 31, 2004 mainly on account of a general hardening of interest rates in India and an increased proportion of higher cost longer term borrowings. We have sought to lessen the impact of increasing interest rates by hedging our floating rate loans using derivative instruments.

Commission and Brokerage

Our commission and brokerage increased by 9.4% from Rs. 137.9 million for the nine month period ended December 31, 2004 to Rs. 150.9 million for the nine month period ended December 31, 2005, principally due to increase in lending business.

Staff costs

Our staff costs increased by 47.0% from Rs. 193.4 million for the nine month period ended December 31, 2004 to Rs. 284.3 million for the nine month period ended December 31, 2005 on account of an increase in the number of employees from

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1,706 as of December 31, 2004 to 2,322 as of December 31, 2005 as well as a general increase in salaries and benefits. In addition, we made a provision of Rs. 2.0 million in the nine month period ended December 31, 2005 in relation to the options granted under the ESOS.

Provisions and write offs

The components of our provisions and write offs are as indicated below:

Provisions and write offs

(Rs. in million)

	December 31, 2004	December 31, 2005
Bad Debts & Write offs	189.5	318.6
Provision for Non Performing Assets (as per RBI norms)	91.5	164.4
Additional provision for Non Performing Assets	168.8	148.7
Total	449.8	631.7

Provisions and write offs increased from Rs.449.8 million for the nine month period ended December 31, 2004 to Rs. 631.7 million for the nine month period ended December 31, 2005. Our bad debts and write offs increased primarily as a result of both an increased volume of loans as well as increased losses arising from a general decrease in the resale value of second-hand repossessed vehicles. The provisions (as per RBI norms) increased primarily due to the increase in the ageing profile of our overdues which required higher provisioning. Since these were already provided for under our faster provisioning schedule, lesser additional provisioning was required.

Despite the increase in provisions for NPAs, our ratio of Net NPAs to Total Assets decreased to 3.7% as of December 31, 2005 as against 4.5% as of December 31, 2004 due to the 49.7% increase in our Loan Assets.

Depreciation & Amortisation

Depreciation and amortisation increased by 27.1% from Rs. 28.4 million for the nine month period ended December 31, 2004 to Rs. 36.1 million for the nine month period ended December 31, 2005. The increase in depreciation was due to increase in fixed assets on account of the opening of more branches and the renovation of some of the existing regional offices as part of building our brand image in part by standardising the décor of our offices. The increase in amortisation of intangible assets is mainly due to amortisation of expenditure on our new information technology systems.

Administrative expenses

Our administrative expenses increased by 97.6% from Rs. 220.5 million for the nine month period ended December 31, 2004 to Rs. 435.7 million for the nine month period ended December 31, 2005 mainly due to increase in the administrative expenses on account of increases in our branch network, employees, the volume of customer contracts, brand building and collection agency fees.

Profit before tax

As a result of the factors stated above, our profit before tax increased by 12.4% from Rs. 824.2 million for the nine month period ended December 31, 2004 to Rs. 926.7 million for the nine month period ended December 31, 2005. However, our Gross Spread (Gross Spread has been annualised, however, the securitisation income is considered as non-recurring and has not been annualised) for the nine month period ended December 31, 2005 was 8.7% as against 9.9% for the nine month period ended December 31, 2004 mainly as a result of higher borrowing costs due to a hardening of interest rates.

Provision for taxation

Our income tax expenses (including deferred tax) increased by 7.2% from Rs. 294.8 million for the nine month period ended December 31, 2004 to Rs. 316.0 million, for the nine month period ended December 31, 2005 mainly because of increase in profits. Our effective rate of tax was 35.8% for the nine month period ended December 31, 2004 and 34.1% for the nine month period ended December 31, 2005. We are required to pay tax on the provisions for NPAs deducted from our profit and loss account.

Profit after tax

As a result of the foregoing factors, our profit after tax increased by 15.4% from Rs. 529.4 million for the nine month period ended December 31, 2004 to Rs. 610.7 million for the nine month period ended December 31, 2005. As a percentage of Average Total Assets, our profit after tax (PAT has been annualised, however, the securitisation income is considered as non-recurring and has not been annualised) decreased from 2.8% for the nine month period ended December 31, 2004 to 2.0% for the nine month period ended December 31, 2005, principally as a result of a reduction in our Gross Spread and increased administrative expenses.

Summary for Fiscal 2005 as compared to Fiscal 2004

Income

Our income increased by 34.3% from Rs. 3,013.6 million in Fiscal 2004 to Rs. 4,047.6 million in Fiscal 2005 mainly because of increase in the interest income. The significant items of our income are income from loans and income from securitization. However, the ratio of income to Average Total Assets declined from 17.3% in Fiscal 2004 to 15.7% in Fiscal 2005 mainly on account of declining lending rates due to competitive pressures and changes in product mix with an increasing percentage of lower margin loans.

Interest earned

(Rs. in million)

	Fiscal 2004	Fiscal 2005
Income from Bills	2.9	2.6
Income from Hire Purchase	609.6	247.9
Income from Loans	2,148.8	3,474.7
Income from Retained Interest in Securitized Assets	25.7	44.8
Total	2,787.0	3,770.0

Our interest income increased by 35.3% from Rs. 2,787.0 million in Fiscal 2004 to Rs. 3,770.0 million in Fiscal 2005 primarily due to 53.8% increase in Loans Assets. This growth was a result of a surge in the demand for utility vehicles and passenger cars. The tractor industry also registered a positive growth with the aid of a good monsoon and additional rural initiatives introduced by the Government in Fiscal 2005. Our income from hire purchase has decreased due to the cessation of new hire purchase business which took effect from April 1, 2002 following changes in the tax regime. Interest earned on retained interest in securitized assets relates to interest on loan assets provided as additional collateral on securitization transactions

Lease rentals

Our income from lease rentals decreased from Rs. 28.0 million for Fiscal 2004 to Rs 6.0 million for Fiscal 2005 reflecting the cessation of new leasing business April 1, 2001 following changes in the tax regime and closure of existing contracts on maturity and early termination.

Income from securitization

Income from securitization, which is net of provisioning for expenses and estimated losses increased by 31.9% from Rs. 146.6 million in Fiscal 2004 to Rs. 193.3 million in Fiscal 2005. In Fiscal 2005 we securitized, with non-recourse, loan receivables of 22,490 contracts amounting to Rs. 4,527.8 million (including future interest receivable) for a consideration of Rs. 4,243.0 million as compared to 14,367 contracts in Fiscal 2004 amounting to Rs. 3,189.6 million (including future interest receivable) for a consideration of Rs. 2,978.3 million. The gains arising from the sale of contracts in securitization transactions depend on a number of factors including the tenor, yield of the portfolio securitized and discounting rate. A provision of Rs. 131.9 million was deducted from our income from securitization in Fiscal 2005 for the future servicing costs and estimated losses of the securitized pool of loans as against Rs. 111.5 million in Fiscal 2004.

Other income

Our other income increased by 50.6% from Rs. 52.0 million in Fiscal 2004 to Rs. 78.3 million in Fiscal 2005, mainly on account of higher dividend income from mutual funds and investments in term deposits provided as collateral for increased level of securitization.

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Expenditure

Interest expense

Our interest expense increased by 38.1% from Rs 929.3 million in Fiscal 2004 to Rs. 1,283.7 million in Fiscal 2005. The increase in our interest on borrowings was due to increase in volumes of borrowing from Rs. 15,713.9 million as of March 31, 2004 to Rs. 24,541.1 million as of March 31, 2005 to finance the higher levels of business. Our ratio of interest costs to average borrowings declined to 6.4% in Fiscal 2005 as compared to 6.9% in Fiscal 2004. This was principally due to declining interest rate environment in India and our proactive approach in sourcing funds through innovative instruments and structuring innovative deals for reducing interest risks and borrowing costs. In Fiscal 2005, our bank consortium limit was increased to Rs 6,250 million from Rs. 6,000 million in Fiscal 2004. Our cost of borrowings was also reduced as we were able to raise funds by securitizing some of our receivables. During Fiscal 2005, we entered into our first interest rate swap whereby we swapped some of our floating rate obligations for fixed rate obligations.

Commission and Brokerage

Our Commission and Brokerage increased by 31.1% from Rs. 139.5 million in Fiscal 2004 to Rs. 182.9 million in Fiscal 2005. This increase was mainly on account of increasing exposure in financing of non-M&M products including cars in which most contracts involved offering brokerage and agency commissions.

Staff costs

Our employee costs increased by 50.8% from Rs. 180.0 million in Fiscal 2004 to Rs. 271.4 million in Fiscal 2005. This increase was on account of increase in employee strength from 1,115 in Fiscal 2004 to 1,773 in Fiscal 2005 and a general increase in salaries and benefits.

Provisions and write offs

The components of our provisions and write offs are as indicated below:

Provisions and write offs

(Rs. in million)

	Fiscal 2004	Fiscal 2005
Bad Debts & Write offs	312.9	409.6
Provision for Non Performing Assets (as per RBI norms)	101.1	65.0
Additional provision for Non Performing Assets	0.0	85.4
Total	414.0	560.0

Total provisions and write offs increased from Rs. 414.0 million in Fiscal 2004 to Rs. 560.0 million in Fiscal 2005. Our bad debts and write offs increased from Rs. 312.9 million in Fiscal 2004 to Rs. 409.6 million in Fiscal 2005. Our bad debts and write offs increased as a result of both an increased volume of loans as well as increased losses arising from a general decrease in the resale value of second-hand repossessed vehicles. The NPA provisions as per RBI norms were changed in August 2003 and resulted in a one time adjustment to the levels of the RBI provisions in Fiscal 2004. We have followed an internal policy of provisioning against NPAs on a faster rate than that required by the RBI and accordingly there was, on a net basis, no need for further additional provisions in Fiscal 2004. Our Net NPAs to Total Assets as of March 31, 2005 were 3.2% as against 3.7% as of March 31, 2004.

Depreciation and amortization

Depreciation and amortisation decreased by 23% from Rs. 50.0 million in Fiscal 2004 to Rs. 38.5 million in Fiscal 2005 principally as no new leasing business has been done since April 1, 2001 and existing lease contracts have matured.

Administrative expenses

Our administrative expenses increased by 38.5% from Rs. 241.6 million in Fiscal 2004 to Rs. 334.8 million in Fiscal 2005 mainly due to increase in administrative expenses on account of increases in our branch network, employees and the volume of customer contracts.

Profit before tax

As a result of the factors stated above, our profit before tax increased by 30.4% from Rs. 1,018.7 million in Fiscal 2004 to Rs. 1,328.1 million in Fiscal 2005. However, our Gross Spread for Fiscal 2005 was 10.7% as against 12.0% for Fiscal 2004 mainly as a result of declining lending rate on new loans on account of competitive pressures.

Provision for taxation

Our income tax expenses (including deferred tax) increased by 37.4% from Rs. 367.8 million in Fiscal 2004 to Rs. 505.4 million, in Fiscal 2005, mainly due to the increase in profits and a decline in depreciation on leased assets. Our effective rate of tax was 36.1% for Fiscal 2004 and 38.1% for Fiscal 2005. We are required to pay tax on the provisions for NPAs deducted from our profit and loss account.

Profit after tax

As a result of the foregoing factors, our profit after tax increased by 26.4% from Rs. 650.9 million for Fiscal 2004 to Rs. 822.7 million for Fiscal 2005. As a percentage of Average Total Assets, our profit after tax decreased from 3.7% for Fiscal 2004 to 3.2% for Fiscal 2005, principally as a result of a reduction in our Gross Spread.

Summary for Fiscal 2004 as compared to Fiscal 2003

Income

Our income increased by 22.5% from Rs. 2,459.6 million in Fiscal 2003 to Rs. 3,013.6 million in Fiscal 2004. The significant items of our income are interest earned and securitization income. However, the ratio of income to Average Total Assets declined from 19.4% in Fiscal 2003 to 17.3% in Fiscal 2004, mainly on account of declining interest rates due to competitive pressures.

Interest earned

(Rs. in million)

	2003	2004
Income from Bills	4.0	2.9
Income from Hire Purchase	1,294.7	609.6
Income from Loan	937.5	2,148.8
Income from Retained Interest in Securitized Assets	7.1	25.7
Total	2,243.3	2,787.0

Our interest income increased by 24.2% from Rs. 2,243.3 million in Fiscal 2003 to Rs. 2,787.0 million in Fiscal 2004 primarily due to increase in income from loans mainly due to 46.2% increase in Loan Assets. Our income from hire purchase has decreased due to the cessation of new hire purchase business with effect from April 1, 2002 following changes in the tax regime and the expiry of many of the outstanding contracts. Interest earned on retained interest in securitized assets relates to interest on loan assets provided as additional collateral on securitization transactions.

The general growth in our disbursements in Fiscal 2004 was due to robust growth in the sale of automobile products due to overall growth in the Indian economy aided by a good monsoon. The sale of utility vehicles, light commercial vehicles and passenger cars, which forms a substantial part of our loans grew significantly in Fiscal 2004 as compared to Fiscal 2003. After a slowdown in sales since Fiscal 2001 on account of poor monsoons, the tractor industry also recorded positive growth in Fiscal 2004.

Lease rentals

Our income from lease rentals decreased from Rs. 83.4 million for Fiscal 2003 to Rs 28.0 million for Fiscal 2004 reflecting the cessation of new leasing business from April 1, 2001 following changes in the tax regime and closure of existing contracts on maturity and early termination.

Income from securitization

Income from securitization, which is net of provisioning for expenses and estimated losses increased by 37.8% from Rs. 106.4 million in Fiscal 2003 to Rs. 146.6 million in Fiscal 2004. During the Fiscal 2004 we securitized loan receivables

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of 14,367 contracts amounting to Rs. 3,189.6 million (including future interest receivable) for a consideration of Rs. 2,978.3 million as against 6,762 contracts amounting to Rs. 1,754.1 million (including future interest receivable) for a consideration of Rs. 1,628.8 million in Fiscal 2003. The gains arising from the sale of contracts in securitization transactions depend on a number of factors including the tenor, yield of the portfolio securitized and discounting rate. A provision of Rs. 111.5 million was deducted from our income from securitization in Fiscal 2004 for the future servicing of the securitized pool and estimated losses as against Rs. 41.7 million in Fiscal 2003 mainly due to the increase in the volume of securitization.

Other income

Our other income increased by 96.2% from Rs. 26.5 million in Fiscal 2003 to Rs. 52.0 million in Fiscal 2004, mainly on account of bad debt recovery, profit on sale/redemption of long term investments and higher income from investments in term deposits provided as collateral for increased level of securitization.

Expenditure

Interest expense

Our interest expense has increased by 11.6% from Rs. 832.5 million in Fiscal 2003 to Rs. 929.3 million in Fiscal 2004. The increase in our interest on borrowings was due to increase in volumes of borrowing from Rs. 11,093.9 million as of March 31, 2003 to Rs. 15,713.9 million as of March 31, 2004 to finance the higher levels of our business.

The ratio of interest costs to average borrowings declined from 8.7% in Fiscal 2003 to 6.9% in Fiscal 2004. This was principally due to the declining interest rate environment in India. Our proactive approach in sourcing funds through diversified sources (like mutual funds and private insurance companies) and instruments like commercial paper, indexed linked debentures etc. also contributed to reducing our interest costs. The decrease in interest costs occurred despite a change in our funding mix in favour of long term loans over short-term borrowings. In Fiscal 2004, our bank consortium limit was increased to Rs. 6,000 million from Rs. 5,000 million in Fiscal 2003. Our cost of borrowings was also reduced as we were able to raise funds by securitizing some of our receivables.

Commission and Brokerage

Our Commission and Brokerage increased by 35.0% from Rs. 103.3 million in Fiscal 2003 to Rs. 139.5 million in Fiscal 2004 mainly on account of increasing exposure in financing of non-M&M products including cars in which most contracts involved offering brokerage and agency commission.

Staff costs

Our employee costs increased by 44.9% from Rs. 124.2 million in Fiscal 2003 to Rs. 180.0 million in Fiscal 2004 due to increase in number of employees from 805 in Fiscal 2003 to 1,115 in Fiscal 2004 and a general increase in salaries and benefits.

Provisions and write offs

The components of our provisions and write offs are as indicated below:

Provisions and write offs

(Rs. in million)

	Fiscal 2003	Fiscal 2004
Bad Debts & Write offs	200.2	312.9
Provision for Non Performing Assets (as per RBI norms)	67.7	101.1
Additional provision for Non Performing Assets	127.9	0.0
Total	395.8	414.0

Total provisions and write offs increased from Rs. 395.8 million in Fiscal 2003 to Rs. 414.0 million in Fiscal 2004. Our bad debts and write offs increased from Rs. 200.2 million in Fiscal 2003 to Rs 312.9 million in Fiscal 2004. Our bad debts and write offs increased as a result of both an increased volume of loans as well as increased losses arising from a general decrease in the resale value of second-hand repossessed vehicles. Since 2002, we have been making additional provisions, principally involving a more rapid writing down of NPAs and as a consequence, when the RBI revised its provisioning norms

in August 2003, it did not result in higher provisioning under our internal policy. Although the NPA provisions as per the new RBI requirements were higher, the actual NPA provision for Fiscal 2004 (including additional provision) were lower as compared to Fiscal 2003 on account of better field recoveries and settlement of defaulting contracts.

Our Net NPAs to Total Assets as of March 31, 2004 were 3.7% as against 2.8% as of March 31, 2003.

Depreciation and Amortization

Depreciation decreased by 43.1% from Rs. 87.9 million for Fiscal 2003 to Rs. 50.0 million for Fiscal 2004 as no new business has been done through leases with effect from April 1, 2001 and existing lease contracts have matured.

Administrative expenses

Our administrative expenses increased by 45.5% from Rs. 166.1 million in Fiscal 2003 to Rs. 241.6 million in Fiscal 2004 mainly due to increase in administrative expenses on account of increase in our branch network, employee numbers and the increased volume of customer contracts.

Profit before tax

As a result of the factors stated above, our profit before tax increased by 41.3% from Rs. 720.7 million in Fiscal 2003 to Rs. 1,018.7 million in Fiscal 2004. However, our Gross Spread for Fiscal 2004 was 12% as against 12.9% for Fiscal 2003 mainly as a result of declining lending rate on new loans on account of competitive pressures.

Provision for taxation

Our income tax expenses (including deferred tax) increased by 31.9% from Rs. 278.9 million in Fiscal 2003 to Rs. 367.8 million in Fiscal 2004 mainly due to the increase in our profits and a decline in depreciation on leased assets. Our effective rate of tax was 38.7% for Fiscal 2003 and 36.1% for Fiscal 2004. We have to pay tax on the provisions for NPAs deducted from our profit and loss account.

Profit after tax

As a result of the foregoing factors, our profit after tax increased by 47.3% from Rs. 441.8 million in Fiscal 2003 to Rs. 650.9 million in Fiscal 2004. As a percentage of Average Total Assets, our profit after tax increased from 3.5% for Fiscal 2003 to 3.7% for Fiscal 2004 primarily due to reduction in the effective tax rate.

Related Party Transactions:

We enter into transactions with related parties in the normal course of business. The principal related parties are M&M, its subsidiaries and key management personnel. Historically we have had a close relationship with M&M and there have been a number of transactions from which we have benefited such as favourable rent terms. However, all significant transactions in relation to our business are conducted on an arms-length basis. For further information see section titled "Related Party Transactions" on page 133 of this Prospectus.

Liquidity And Capital Resources

Cash Flows

(Rs. in million)

	2003	2004	2005	December 31, 2004	December 31, 2005
Cash flow from operating (used in) activities	(4,499.4)	(6,570.0)	(12,921.8)	(10,299.2)	(13,477.6)
Cash flow from investing (used in) activities	(27.0)	(30.3)	(395.3)	(776.6)	238.1
Cash flow from financing activities	4,509.1	6,927.6	13,214.7	10,911.3	13,393.7
Cash and cash equivalents at the end of the year	435.8	763.0	660.7	598.5	814.8

We need cash primarily to finance new borrowers and meet working capital requirements. We fund these requirements through a variety of sources, including cash from interest income, short term borrowings and long-term borrowings such as debentures, term loans from commercial banks, rights issues, preference share issuance and securitization transactions.

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Operating Activities

Our operations resulted in net cash outflows of Rs. 12,921.8 million, Rs. 6,570.0 million and Rs. 4,499.4 million in Fiscal 2005, Fiscal 2004 and Fiscal 2003, respectively, representing an increase of Rs. 6,351.8 million, or 96.7% in Fiscal 2005 compared to Fiscal 2004 and an increase of Rs. 2,070.6 million, or 46%, in Fiscal 2004 compared to Fiscal 2003. Our net cash used in operating activities was primarily deployed in increases in loans made and paying interest on borrowings during the respective periods.

Financing Activities

Net cash from financing activities amounted to Rs. 13,214.7 million, Rs. 6,927.6 million and Rs. 4,509.1 million, in Fiscal 2005, Fiscal 2004 and Fiscal 2003, respectively. The increase in Fiscal 2005 compared to Fiscal 2004 primarily due to the increase in proceeds from the issuance of debt securities, preference shares and ordinary shares, bank borrowings and proceeds of securitization. The increase in Fiscal 2004 compared to Fiscal 2003 was primarily due to the increase in debt securities and proceeds of securitization.

Liquidity

We regularly monitor our funding levels to ensure we are able to satisfy the requirement for loan disbursements and maturity of our liabilities. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by long-term borrowings from banks and mutual funds, short and long-term general financing through the domestic debt markets and retained earnings, proceeds from securitization and equity issuances.

Surplus funds, if any are invested in accordance with our investment policy. As of December 31, 2005, the total investment portfolio was Rs. 79.7 million. Of the Rs. 79.7 million, Rs. 40.0 million or 50.2% was invested in debt based liquid mutual fund schemes. As of December 31, 2005, our cash and bank balances amounted to Rs. 814.8 million.

In addition, we monitor and manage our asset-liability gap with respect to our maturing assets and liabilities. As at September 30, 2005, our liabilities maturing in between one to three years exceeded our assets maturing during the same period by approximately Rs. 10,559.4 million while our liabilities maturing in over five years exceeded our assets maturing in the same period by approximately Rs. 1,688.3 million. However, our assets maturing within one month exceeded our liabilities maturing within the same period by approximately Rs. 3,680.9 million while our assets maturing between one month to one year exceeded our liabilities maturing during the same period by approximately Rs. 6,680.0 million.

Our loan agreements and debentures contain a number of covenants including financial covenants. In addition, some loans contain provisions which allow the lender, at its discretion to call for repayment of the loan at short notice and/or require us to prepay on a pari passu basis if any other loan is being repaid. Such covenants, if acted upon, may have an impact on our liquidity.

Interest Rate Risk

Since we have fixed rate rupee assets and a mix of floating and fixed rate liabilities, movements in domestic interest rates constitute the main source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. An Asset Liability Management policy, which has been approved and adopted by our ALCO, sets forth the broad guidelines for ALM activities. The ALM function categorizes all rate sensitive assets and liabilities into various time period categories according to interest rate sensitivity. For example, floating rate liabilities with daily MIBOR rate reset are categorised in the "upto one month" bucket although they might have a longer contractual residual maturity. We follow RBI guidelines for managing our asset and liability position. Our cost of borrowings will be negatively impacted by an increase in interest rates. Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity profile of our assets and liabilities. An interest rate sensitivity report is prepared by classifying all assets and liabilities into various categories according to interest rate sensitivity for reporting on a half yearly basis to the ALCO and the RBI. The difference between the amounts of assets and liabilities maturing in any maturity category provides a measure of the extent to which we are exposed to the risk of potential changes in the margins on new assets and liabilities.

Our ALCO meets on a half yearly basis and reviews the interest rate and liquidity gap positions on the book, formulates a view on interest rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, as deemed fit, in light of the current and expected business environment.

Liquidity risk

Liquidity risk arises from the absence of liquid resources, when funding loans, and repaying borrowings. This could be due to a decline in the expected collection, or our inability to raise adequate resources at an appropriate price. This risk is minimized through a mix of strategies, including the maintenance of back up bank credit lines and following a forward-looking borrowing programme based on projected loans and maturing obligations.

We also monitor liquidity risk through our ALM function with the help of liquidity gap reports. This involves the categorization of all assets and liabilities in different maturity profiles, and evaluating them for any mismatches in any particular maturities, especially in the short-term. The ALM policy is based on RBI guidelines and ALCO guidelines and establishes the maximum allowed mismatches in the various maturities.

To manage short term funding arrangements we borrow from working capital lines provided by banks, we also borrow from mutual funds by issuing short term instruments maturing up to 364 days. We also borrow from corporates through inter-corporate deposits.

We are also required to submit Monetary and Supervisory Return (NBS5) on quarterly basis to RBI.

The following table sets out a summary of our asset liability maturity profile derived from our RBI report furnished on a half yearly basis and based on certain estimates, assumptions and our prior experience of the performance of our assets:

Estimated Statement of Structural Liquidity as on September 30, 2005

(Rs. in million)

	Up to 1 month	Over 1 month & up to 1 year	Over 1 & up to 3 years	Over 3 & up to 5 years	Over 5 years	Total
Liabilities/ Outflow						
Equity Capital					701.6	701.6
Preference Shares			500.0			500.0
Reserves and Surplus					3,303.8	3,303.8
Borrowings	2,067.5	5,419.7	22,413.1	1,300.0	500.0	31,700.3
Current Liabilities and Provisions	1,262.0	1,000.7	285.4	18.0	16.6	2,582.7
Unutilised bank lines			2,300.0			2,300.0
Total	3,329.5	6,420.4	25,498.5	1,318.0	4,522.0	41,088.4
Assets / Inflow						
Owned Assets	17.8				184.6	202.3
Investment	930.3	34.2			5.5	970.0
Cash & Bank Balance	1,195.2	378.5	0.4			1574.1
Inflow from loans and advances	2,311.2	12,448.1	14,772.5	3,197.6	2,213.5	34,942.8
Other assets	255.9	239.6	166.2	7.2	430.1	1,099.1
Unutilised bank lines	2,300.0					2,300.0
Total	7,010.4	13,100.4	14,939.1	3,204.8	2,833.7	41,088.4
Surplus/(Deficit)	3,680.9	6,680.0	(10,559.4)	1,886.8	(1,688.3)	0.0
Cumulative Surplus/(Deficit)	3,680.9	10,360.9	(198.5)	1,688.3	0.0	

Assumptions

- (1) Bank borrowings mature in 1 to 3 year bucket as the same is normally renewed on maturity. In addition banks allow its funds to be deployed on lease/HP/loan assets which are for a period of 1 to 3 years. These 1 to 3 year assets are lodged as security and hypothecated to consortium banks.
- (2) If in case of any borrowing, the company has an option to extend the maturity for a further period, it is assumed that the option is exercised
- (3) Interest accrued but not due on fixed deposit is based on maturity profile of the fixed deposit.
- (4) Maturity of contingent liabilities has not been estimated as they may or may not crystallize.
- (5) Non NPA debtors are assumed to be recovered equally within a period of 6 months.

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- (6) Future receivable pertaining to NPA assets is equally subtracted from loan receivables assuming balance period of 18 months and the same is shown as maturing after 5 years.
- (7) NPAs, net of NPA provision to mature after 5 years.
- (8) Deferred tax asset to mature after 5 years.
- (9) Unutilised bank lines can be accessed as and when required so as to bridge excess of outflow over inflow, if any.
- (10) The unutilised limit with the banks as on September 30, 2005 is estimated at Rs. 2300 million after considering cash credit balance as per books of accounts.

Exchange rate risk

All our assets are financed in Indian rupees and therefore we do not have any exchange rate risk on our asset portfolio. However, we have some borrowings in foreign currency, mainly in US\$. Since we do not have any kind of natural hedge in the form of foreign currency earnings, we hedge all of our foreign currency borrowings with banks.

Credit Ratings

We enjoy AA+/Stable rating from CRISIL as of January 20, 2006, with the various instruments rated as below:

- Long term debt amounting to Rs. 34,600 million with a rating of AA+/Stable
- Short term debt rating of amounting Rs. 10,000 million with a a rating P1+
- Subordinated debt amounting to Rs 1,000 million with a rating of AA+/Stable
- Preference shares amounting to Rs 500 million with a rating of pfAA+/Stable
- Fixed deposit with a rating of FAA+/Stable.

Further, we have received a AA+ (ind)/Stable rating from Fitch in respect of Rs. 2,250 million of long term debt (Non Convertible Debentures) as of December 6, 2005. All our securitization transactions to date (except bilateral assignments) have been rated AAA(so) by CRISIL.

In the event of any downward revision of any of our credit ratings, our borrowing programme could be adversely affected.

Financial Condition

Our net worth, increased by 41.2% from Rs. 2,517.4 million as of Fiscal 2004 to Rs. 3,555.8 million as of Fiscal 2005. As of December 31, 2005 our net worth was Rs. 4,026.1 million.

Assets

The following tables set forth the principal components of our assets

(Rs. in million)

	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at December 31, 2005
Fixed Assets (includes net block, advance for purchase of capital assets and capital work in progress)	147.6	136.3	168.1	213.6
Intangible Assets	3.6	1.8	5.6	12.7
Investments	78.7	53.8	368.3	79.7
Stock on Hire and Loans against assets (net of unmatured finance charges)	11,702.1	17,106.3	26,310.6	36,628.7
Sundry Debtors	831.7	946.7	1,291.6	1,803.3
Other Current Assets	266.8	314.9	371.1	464.5
Cash and bank balances	435.8	1,024.1	1,113.4	1,165.2
Other Loans and advances	1,072.2	749.0	1,493.0	2,991.1
Total assets	14,538.5	20,332.9	31,121.7	43,358.8

Our Total Assets increased by 39.9% from Rs. 14,538.5 million as of Fiscal 2003 to Rs. 20,332.9 million as of Fiscal 2004, and further increased by 53.1% to Rs. 31,121.7 million as of Fiscal 2005. Our Total Assets as of December 31, 2005 were Rs. 43,358.8 million. The most significant element of this change was the increase in loans as a result of an increase in our business activities described above.

Our investments primarily include investments in government securities as required by the RBI and surplus funds held in short term liquid investments. Our net investments decreased 31.6% from Rs. 78.7 million as of Fiscal 2003 to Rs. 53.8 million as of Fiscal 2004, but have subsequently increased by almost 6 times to Rs. 368.3 million as of Fiscal 2005. Our net investments as of December 31, 2005 were Rs. 79.7 million. The increase in investments in Fiscal 2005 was due to surplus funds, in part because of the availability of additional funds at competitive rates, which, we have placed in liquid mutual funds prior to funds being required for the making of loans and decrease in nine month period ended December 31, 2005 was due to non-availability of surplus funds.

Our loans against assets and stock on hire increased by 46.2% from Rs. 11,702.1 million as of Fiscal 2003, to Rs. 17,106.3 million as of Fiscal 2004, and further increased by 53.8% to Rs. 26,310.6 million as of Fiscal 2005. Our loans against assets and stock on hire as of December 31, 2005 were Rs. 36,628.7 million. Our stock on hire has not grown due to the cessation of new hire purchase business following changes in the tax regime with effect from April 1, 2002 and the maturity of many of the outstanding contracts; all of the growth has come from the increase in loans made due to the factors described above.

Sundry debtors include instalments due and outstanding as of the end of the relevant fiscal period and are net of provisions. Our sundry debtors increased by 13.8% from Rs. 831.7 million as of Fiscal 2003, to Rs. 946.7 million as of Fiscal 2004, and further increased by 36.4% to Rs. 1,291.6 million as of Fiscal 2005. Our sundry debtors as of December 31, 2005 were Rs. 1,803.3 million.

Other current assets which include interest accrued and deferred tax assets, increased by 18.0% from Rs. 266.8 million as of Fiscal 2003 to Rs. 314.9 million as of Fiscal 2004, and further increased by 17.8% to Rs. 371.1 million as of Fiscal 2005. Our other current assets as of December 31, 2005 were Rs. 464.5 million. These increases were principally due to deferred tax assets on account of increased provisions for NPAs.

Other Loans and advances, which include trade advances, advance tax (net of provisions), inter corporate deposits decreased by 30.1% from Rs. 1,072.2 million as of Fiscal 2003 to Rs. 749.0 million as of Fiscal 2004, and doubled to Rs. 1,493.0 million as of Fiscal 2005. Our other loans and advances as of December 31, 2005 were Rs. 2,991.1 million.

Liabilities

The following tables set forth the principal components of our liabilities as of Fiscal 2003, 2004 and 2005 and December 31, 2005:

(Rs. in million)

	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at December 31, 2005
Preference share capital	0.0	0.0	500.0	500.0
Secured loans	6,891.3	13,234.2	22,035.4	28,834.4
Unsecured loans	4,202.6	2,479.7	2,505.7	7,183.5
Current liabilities and Provisions	1,386.6	2,101.6	2,524.8	2,814.8
Total Liabilities and Provisions	12,480.5	17,815.5	27,565.9	39,332.7

Our total liabilities increased by 42.7% from Rs. 12,480.5 million as of Fiscal 2003 to Rs. 17,815.5 million as of Fiscal 2004 and further increased by 54.7% to Rs. 27,565.9 million as of Fiscal 2005. Our total liabilities as of December 31, 2005 were Rs. 39,332.7 million. These increases were due to the increase in our borrowings as a result of the growth of our business.

Current liabilities and provisions include sundry creditors, interest accrued, deposits advances received against loan agreements, securitization dues payable and provision for expenses. The main reason for the substantial increase as of Fiscal 2005 and for the nine month period ended December 31, 2005 was the increase in monthly dues on account of securitization collections and sundry creditors on account of loan disbursed and interest accrued on borrowings.

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Off-Balance Sheet Items

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities:

(Rs. in million)

	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at December 31, 2005
Estimated amount of contracts remaining to be executed on capital account (net of advances)	1.2	0.9	3.7	5.6
Claims not acknowledged as debts in respect of income tax	13.3	30.6	56.5	118.8
Claims not acknowledged as debts in respect of sales tax	0.0	0.0	9.8	9.8
Performance Guarantees issued	20.0	20.0	20.0	20.0
Corporate undertaking on account of securitization	83.5	19.3	65.0	201.5
On account of legal suits filed in Consumer forums and Civil Courts	2.2	29.6	20.4	31.1
Total	120.2	100.4	175.4	386.8

Contingent liabilities, which principally relate to liabilities in respect of disputed tax payments and indemnities in respect of the securitised asset pools decreased from Rs. 120.2 million as of March 31, 2003 to Rs. 100.4 million as of March 31, 2004 and increased to Rs. 175.4 million as of March 31, 2005. Our contingent liabilities as of December 31, 2005 were increased to Rs. 386.8 million mainly due to undertakings given by way of corporate guarantees in relation to the Securitization of some of our tractor loans and a further disputed tax demand.

Capital

We are subject to the capital adequacy requirements of the RBI. We are required to maintain a minimum capital adequacy ratio of 12% as prescribed under the RBI guidelines based on total capital to risk weighted assets.

Our capital adequacy ratios are as follows:

(Rs. in million, except ratios)

	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at September 30, 2005
Tier I capital ⁽¹⁾	1,773.9	2,204.8	3,192.1	3,578.1
Tier II capital ⁽²⁾	487.7	979.0	2,219.6	2,501.4
Total Tier I and Tier II capital	2261.6	3,183.8	5,411.7	6,079.5
Risk weighted assets on balance sheet	14,057.2	19,600.7	30,341.1	37,516.5
Risk weighted assets off balance sheet	110.7	69.8	130.2	194.4
Total risk weighted assets	14,167.9	19,670.5	30,471.3	37,710.9
Tier I capital to risk assets ratio	12.5%	11.2%	10.5%	9.5%
Tier II capital to risk assets ratio	3.5%	5.0%	7.3%	6.6%
Total capital to risk assets ratio ⁽³⁾	16.0%	16.2%	17.8%	16.1%

Note:

- (1) Tier I capital includes paid up equity capital and free reserves net of intangible assets and excluding general provision and loss reserve (which mainly includes reserves created on account of deferred taxes). See section titled "Regulations and Policies" on page 58 of this Prospectus.

- (2) Tier II capital includes preference share capital, subordinated debt (after discounting for the residual maturity) and eligible general provision and loss reserve (which mainly includes reserves created on account of deferred taxes). See section titled “Regulations and Policies” on page 58 of this Prospectus.
- (3) The total capital to risk assets ratio is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

Our capital adequacy ratio as of December 31, 2005 was 14.3%.

During Fiscal 2005, we issued 9,532,777 Equity Shares for cash at a premium of Rs. 40 per share by way of a rights issue, raising a total of Rs. 476.6 million. We also issued 5,000,000 of 6.90% Preference Shares to further strengthen our capital base. As a consequence of these increases in our share capital, our net worth has also increased resulting in a capital adequacy ratio of 17.8%, well above the 12% as prescribed by the RBI. Our securitization programme also strengthens our capital adequacy ratio by reducing our risk-weighted assets.

On December 6, 2005 we issued 2,686,550 Equity Shares to an ESOS Trust for the benefit of employees. Due to the fact that the purchase of these shares was mainly funded by a loan from the Company, this additional issue of shares has had no significant impact on the capital of the Company as the loan has been set off against the Company's subscribed and paid up capital as well as the securities premium account. As the loan is repaid, the set off is reduced.

Capital Expenditure

Our business has not in the past required, and is not in the future expected to require, substantial capital expenditure. Our fixed assets mainly comprise owned assets like furniture, office equipment, computers, vehicles etc. Based on cash flow, our capital expenditure in Fiscal 2005 was Rs. 95.0 million.

Analysis of certain changes

Unusual or infrequent events or transactions

There have been no transactions or events, to our knowledge, which would be considered “unusual” or “infrequent”.

Significant economic changes

The increased levels of economic activity in India and high levels of liquidity being provided from domestic and international investors has led to increased competition among lenders for loan assets, thereby contributing to pressure on loan pricing, particularly in urban and semi-urban areas. The recent rise in interest rates has also led to increased borrowing costs putting further pressure on our spreads. These economic events impacted our financial results in these periods.

Known trends or uncertainties

Our business has been impacted and we expect will continue to be impacted by the trends identified above in “Factors Affecting our Financial Results” on page 185 of this Prospectus and the uncertainties described in the section titled “Risk Factors” on page xi of this Prospectus. To our knowledge, except as we have described in this Prospectus, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between costs and income

Except as we have described in this Prospectus, there are no known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations and to our knowledge there are no known factors, except as aforesaid, which will have a material adverse impact on our operations and profitability.

Increase in our income

In addition to increase in the volume of our lending and investing activities, the introduction of new products in the ordinary course of business would also contribute to increase in our revenue.

Total turnover in each major industry segment

We do not report industry segments for our unconsolidated financial statements prepared in accordance with Indian GAAP.

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Seasonality in business

Our business is not seasonal. However, there could be a variation in our quarterly income or profit after tax or NPAs because of various factors, including those above in “Factors Affecting our Financial Results” on page 185 of this Prospectus and those described in the section titled “Risk Factors” on page xi of this Prospectus.

Dependence on M&M

In Fiscal 2005, we financed approximately a third of the products sold by M&M. Accordingly, any substantial decline in the sales of M&M products could significantly affect our business. Please see the description in relation to M&M in “Factors Affecting our Financial Results” on page 185 of this Prospectus, the “Related party Transactions” on page 133 of this Prospectus and the issues described in the section titled “Risk Factors” on page xi of this Prospectus.

Competitive conditions

We expect competition to intensify due to, among other things, the entry of new participants, as described in above in “Factors Affecting Our Financial Results” on page 185 and in the section titled “Risk Factors” on page xi of this Prospectus resulting in further downward pressures on our margins.

Material Developments

In the opinion of the Board of our Company, there have not arisen, since the date of the last financial statements included in this Prospectus, any circumstances that materially and adversely affect the profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this Prospectus as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 185 of this Prospectus. The amounts presented in this section are based on our unconsolidated financial statements prepared in accordance with Indian GAAP and internally generated statistical data.

(Rs. In million)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine month period ended December 31, 2004	Nine month period ended December 31, 2005
Total Income and Gross Spread Income					
Interest Earned	2,243.3	2,787.0	3,770.0	2,602.4	3,660.1
Lease Rentals	83.4	28.0	6.0	5.5	0.7
Income from Securitisation	106.4	146.6	193.3	114.9	251.9
Other Income	26.5	52.0	78.3	59.2	70.3
Total	2,459.6	3,013.6	4,047.6	2,782.0	3,983.0
Interest Expense	832.5	929.3	1,283.7	892.3	1,479.1
Difference between Total Income and Interest Expense	1,627.1	2,084.3	2,763.9	1,889.7	2,503.9
Average Total Assets	12,658.2	17,435.7	25,727.4	25,169.1	37,240.4
Total Income as a percentage of Average Total Assets (Annualised)*	19.4%	17.3%	15.7%	14.6%*	14.0%*
Gross Spread (Annualised)*	12.9%	12.0%	10.7%	9.9%*	8.7%*

*Securitisation income is considered as non-recurring and not annualised.

(Rs. In million)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Nine month period ended December 31, 2004	Nine month period ended December 31, 2005
Interest Expense	832.5	929.3	1,283.7	892.3	1,479.1
Interest Bearing Liabilities					
Secured loans	6,891.3	13,234.2	22,035.4	20,687.3	28,834.4
Unsecured loans	4,202.6	2,479.7	2,505.7	3,391.6	7,183.5
Total	11,093.9	15,713.9	24,541.1	24,078.9	36,017.9
Average Interest Bearing Liabilities	9,536.4	13,403.9	20,127.5	19,896.4	30,279.6
Average cost of borrowing (Annualised)*	8.7%	6.9%	6.4%	6.0%	6.5%
Returns on Average Assets					
Total Assets	14,538.5	20,332.9	31,121.7	30,005.2	43,358.8
Average Total Assets	12,658.2	17,435.7	25,727.4	25,169.1	37,240.4
PAT	441.8	650.9	822.7	529.4	610.7
Return on Average Total Assets (Annualised)	3.5%	3.7%	3.2%	2.8%*	2.0%*

* Post tax securitisation income is considered as non-recurring and not annualised.

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Classification of Assets

The Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Prudential Norms Directions") prescribed by the RBI require us to observe the classification of our asset; treatment of NPAs; and provisioning against NPAs. For detail on Prudential Norms Direction please see section titled "Regulations and Policies" on page 58 of this Prospectus.

Provisioning and Write-offs

Statutory provisions are required to be made in respect of sub-standard, doubtful and loss assets as per RBI directives. Our Audit Committee has constituted a policy for making provisions in excess of the amounts prescribed by RBI and we may make further provisions if we determine that it is prudent for a known and identified risk. Based on our policy our provisions as of December 31, 2005 stood at Rs. 1,462.8 million as compared to the RBI required provision of Rs. 936.8 million.

The following table sets forth data regarding the classification of our credit exposure (net of write-offs and unpaid interest on NPAs).

	As at March 31, 2003		As at March 31, 2004		As at March 31, 2005		As at September 30, 2005	
	Rs. million	%	Rs. million	%	Rs. million	%	Rs. million	%
Standard	13,189.2	95.9	17,675.4	95.6	27,905.1	96.1	33,656.4	94.6
Non-Performing assets								
Of which:								
Sub-standard	538.5	3.9	756.7	4.1	1,066.6	3.7	1836.8	5.2
Doubtful assets	29.5	0.2	57.1	0.3	68.5	0.2	83.5	0.2
Loss assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	13,757.2	100.0	18,489.2	100.0	29,040.2	100.0	35,576.7	100.0

Note: The above figures pertaining to NPAs are including securitized assets.

The following table sets forth, at the dates indicated, data regarding our Non-Performing Assets.

Fiscal	Gross NPA (Rs. million)	Net NPA (Rs. million)	Total Assets (Rs. million)	% of Net NPA to Total Assets
Fiscal 2003	1,090.1	411.5	14,538.6	2.8%
Fiscal 2004	1,555.9	743.4	20,332.9	3.7%
Fiscal 2005	1,991.6	1,007.7	31,121.7	3.2%
December 31, 2004	2,492.4	1,348.7	30,005.2	4.5%
December 31, 2005	2,969.2	1,583.9	43,358.8	3.7%

Note: The above figures are excluding securitized assets

SECTION VI: LEGAL & REGULATORY INFORMATION

OUTSTANDING LITIGATIONS

Except as described below, there are no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding or tax liabilities against our Company, our Directors, our Subsidiary, our Promoter or our Promoter Group Companies that would have a material adverse effect on our business and there are no defaults, non payment or overdue of statutory dues, institutional/ bank dues or dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares (irrespective of whether they are specified under Part I of Schedule XIII of the Act), that would have a material adverse effect on our business:

LITIGATION INVOLVING OUR COMPANY

Contingent Liabilities as of December 31, 2005

The Company had contingent liabilities not provided for of Rs. 386.8 million as of December 31, 2005. For a detailed breakup of our contingent liabilities please refer to Section "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 185 of the Prospectus.

Litigation against our Company

Civil Cases

There are one hundred and ninety civil cases involving the Company. The aggregate claims in these cases are approximately Rs. 10.6 million. In addition, there are several claims in these cases the Company that are not quantifiable.

a) Repossession Cases

There are one hundred and thirty four cases filed by customers seeking possession of the vehicles seized from them due to non-payment of dues or seeking an injunction to restrain the Company from repossessing the vehicles.

b) In addition to the above, there are twelve cases filed against the Company, briefly described below, where under inter alia the damages claimed are more than Rs. 50,000 under each claim and a claim for return of vehicle has been made. The claims under such suits aggregate Rs. 5.5 million.

1. A customer, Laxman Dhondiram Renge, filed a case in the Court of the Civil Judge, Junior Division, 5th Parbhani, (Case no. RCS 165/2002), on June 15, 2002 alleging that an excess amount has been recovered from him. The customer has prayed for the recovery of the excess amount i.e. Rs. 53,531 with interest. The matter is pending in the said court.
2. A customer, Muhammed Ashraff, filed a case before the Court at Thalasserry (Case no. OS.NO.82/05), on April 1, 2005 alleging illegal repossession. The customer has prayed that the vehicle not be disposed off, as well as damages of Rs. 200,000 with interest. The matter is pending in the said court for hearing.
3. A customer, Munni Lal, filed two cases on March 17, 2004 (Case No. 162/2004 and Case No. 142/40) before the Civil Judge, Allahabad alleging illegal sale of his vehicle by the Company. The customer has prayed for permanent injunction restraining the Company from realising the recovery amount of Rs. 72,700 and from proceeding with the recovery proceedings. The plaintiff has claimed a relief for repayment of an amount of Rs. 194,850 with interest. The matter is pending in the said court for submission of written statements by the Company on the next adjourned date.
4. A customer, Ram Lakhan Panday, filed a case on July 2, 2003 (Case No. 337/2003) in the Court of District Judge, Allahabad alleging illegal repossession of his vehicle by the Company. The customer has prayed for return of his vehicle and if the vehicle is sold, then price of the vehicle - Rs. 360,000 plus Rs. 100,000 as damages. The matter is pending in the said court.
5. A customer, Vishambhar Dayal, filed a case in the Court of the Civil Judge, Lower Division, Kadipur, Sultanpur, (Case no. 85/05) on April 11, 2005 alleging illegal repossession and has prayed for declaration of ownership of the vehicle and for compensation of Rs. 500 per day till decision. The lower court passed an order directing the Company to release the vehicle. An appeal was preferred on August 11, 2005 by us, which has been admitted and the appeal is pending in the said court for arguments.

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6. A customer, Bal Kishore Prasad Gupta, filed a case in the Court of the Additional District Judge, Jashpur, (Case no. CS02/04) on May 14, 2004 alleging illegal seizure of his vehicle. The customer has prayed for recovery of Rs. 400,000 with interest. The matter is pending in the said court.
7. A customer, Maharashtra Motors, filed a case in the Court of Civil Judge Senior Division, Nagpur, (Case no. 10/2004) on December 29, 2003 against the Company and Provincial Automobiles Private Limited alleging that the Company did not return the deposit amount paid by him and received by them. The customer has prayed for refund of Rs. 3,464,550 along with interest. The matter is pending for hearing of application filed by the Company under Section 8 of the ACA for appointment of an arbitrator.
8. A customer, Dayanand Kamble filed a case in the Court of the Civil Judge (Senior Division), Pune, (Case no. 388/03) on January 7, 2003 alleging illegal repossession and sale of the subject vehicle. The customer has prayed for refund of Rs. 104,773. The matter is pending in the said court for filing of reply by the Company.
9. A customer, Pushplata filed a case in the Court of the Additional Civil Judge, Shimla, (Case no. 71/2004), on July 18, 2004 alleging harassment by the Company to pay arbitrary outstanding dues. The customer has prayed for return of advance paid to the Company, i.e. Rs. 55,000 with interest and Rs. 135,000 as compensation. The matter is pending in the said court for hearing under section 8 of the ACA.
10. A customer, Atmaram filed a civil suit in the Court of the Civil Judge, Senior Division, Ambajogai (Case no. 9/01) on February 27, 2001 alleging illegal seizure of his vehicle. The customer has prayed for damages of Rs. 250,000 alongwith interest. The matter is pending for hearing.
11. A customer, Rustom Sheikh filed a case in the City Civil Court, Kolkata, (Case no.154/2005), on February 17, 2005 alleging demands of excessive money. The customer has prayed that the Company be prevented from recovering the amount of Rs. 307,067. The matter is pending for filing application under section 8 of the ACA.
12. A customer of the Company resold his vehicle to Irrana. Irrana filed a case in the Court of Civil Judge, Hubli (case no. O S No.412/05), on December 21, 2005 against the customer and the Company alleging illegal repossession of the vehicle. Irrana has prayed for declaration of ownership in his favor and Rs. 252,000 as damages. The matter is pending in the said Court for filing of Company's objections on the next adjourned date.

c) Miscellaneous Civil Cases:

Presently there are forty eight miscellaneous cases pending against the Company. The aggregate amount claimed under these cases is approximately Rs. 10,122,503. In addition, there are several unquantifiable claims in these cases.

- i. A customer, B. Nagaraju, filed a case in the Court of the Third Additional Junior Civil Judge, Kurnool, (Case no. O.S 970/05) on September 6, 2005 alleging non-issuance of no objection certificate by the Company. The customer has prayed for the grant of the same. The interim application filed by the customer has been dismissed and the Company awaits the order copy.
- ii. A customer, Govindan ER, filed a case in the Court of Iringalakuda, (OS. No.210/05), on May 28, 2005 for declaration of ownership of the vehicle in his favor. The matter is pending for hearing under section 8 of the ACA.
- iii. A customer, Babu Ram filed a case in the Court of the Civil Judge, Panipat, on September 2, 2004 alleging improper account statement and wrongful repossession of the vehicle. The customer has prayed for of the same and for the return of the vehicle. The matter is pending for hearing of interim application under section 8 of the ACA.
- iv. A customer, Shankrappa Kusalapur, filed a case in the Court of the Principal Civil Judge, Hubli, (O.S. No.31/03) on June 5, 2003 alleging demand of excess amount by the Company. The customer has prayed that the excess amount collected by the company be refunded. The matter is pending in the court for further hearing.

- v. A customer, Nathu Prasad Dwivedi, filed a case on March 24, 2005, (MAL27-70-2005), in the Court of the District Judge, Chitrakoot against the United India Insurance Company claiming an amount of Rs. 200,000. The customer has alleged that the Company is charging excessive late charges and has prayed that the court prevent us from doing the same. The Company has to file its reply in the court.
- vi. A customer, Wahajul Sirajul Huq Khan, filed a case in the Court of the Civil Judge, Senior Division, Mau (Case no.13/2004) on February 1, 2004 against the Oriental Insurance Company and the Company. The customer has prayed that until the insurance amount is received from the Oriental Insurance Company, the Company be directed not to recover any money from the customer. The matter is pending in the said court for hearing under section 8 of the ACA.
- vii. A customer, Sukadev Pradhan, filed a case in the Orissa High Court, Cuttack, (Case no. ARBP-12/2004) on July 15, 2004 against the Company, its Managing Director and the branch manager of the Company, Bhubaneswar, for appointment of an arbitrator under Section 11 of the ACA. The customer has prayed that he be provided with a copy of the original loan agreement and for the appointment of an arbitrator. The matter is pending for further hearing.
- viii. A customer, Sidram Guraw, filed a case in the Court of the Civil Judge, Junior Division, Pandharpur (Case no. 04/03) on January 6, 2003 alleging that the statement of accounts were improperly prepared. The matter is pending in the said court for hearing of application for arbitration under Section 8 of the ACA.
- ix. A customer, Ganpat Bansode, filed a case in the Court of the Civil Judge, Junior Division, Solapur (Case no. 72/04) on June 29, 2004 alleging harassment. The customer has prayed that the Company be restrained from causing any harm till the disposal of the suit. The matter is pending for hearing.
- x. A customer, Kurban Hussain, filed a suit in the Court of the Civil Judge (Class II) Khargone (Case no. 65-A/04) on October 1, 2003, alleging that blank cheques have been taken by the Company. The customer has asked the court to prevent the Company from using such blank cheques. The same is pending for hearing.
- xi. A customer, Jayanta Ghosh, filed a writ petition in the High Court at Kolkata (WP. no.2443/04) on September 29, 2004 alleging illegal seizure of his vehicle. The matter is pending for hearing.
- xii. A customer, Devi Lal Jat filed a case in the Court of the Civil Judge, Junior Division Sri Ganganagar (Case No.16/2003) on January 23, 2003 praying that the refinance agreement in respect of his vehicle had not been completed and hence there is no liability of the customer under the said agreement. The matter is pending for hearing.
- xiii. A customer, Sukhjot Singh, filed a case in the Court at Sirsa, (Case no 788C/03), on October 13, 2003 alleging illegal repossession. The customer has prayed for stay on such repossession. The suit was withdrawn by an order dated October 20, 2003 in the Company's favour. The customer defaulted again and hence the Company filed for execution of decree dated October 10, 2003. The customer's application for dismissal of execution application was dismissed on October 23, 2005. The customer has filed an appeal against the order dated October 23, 2005 on March 28, 2005 which is now pending and shall be heard on February 16, 2006.
- xiv. A customer, Gurdit Singh, filed an appeal (Appeal No. 55G/05) under section 96 of the Civil Procedure Court (CPC) against the decree dated March 7, 2005 passed by the Civil Judge Senior Division wherein it was alleged that vehicle had been improperly valued and sold at a lower price, than the market price. The appeal is pending for hearing.
- xv. A customer, Hiralal, filed an accident claim case (Case no. MACT 414/99) on September 6, 1999 against the Company and others in the Motor Accidents Claims Tribunal (MACT), at Aurangabad for an amount of Rs. 150,000 as compensation and Rs. 50,000 under section 140 of the Motor Vehicles Act, 1988 (MVA). The matter is pending for hearing.
- xvi. A customer, Bhausahab, filed a case in the MACT, Aurangabad (Case no. MACT 282/00) on July 6, 2000. The matter is pending in the said court for final hearing. The amount claimed from the Company is Rs. 150,000 alongwith Rs. 50,000 to be awarded on a no fault basis alongwith interest. The matter is pending for hearing.

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- xvii. A customer, E. Aruna, filed a case before the District Judge, Saroor Nagar, Andhra Pradesh (no. OP 1255/99), on November 30, 1999 alleging that the claim under the MVA has not been released in his favour by the insurance company and making the Company a party to the above case. The amount claimed is Rs. 50,000. The matter is pending hearing.
- xviii. A customer, Maqbul Bi, filed an accident claim case (case no. MACT 229/98) on April 8, 2003 against the insurance company at the MACT, Aurangabad for an amount of Rs. 500,000. The Company being the financier has been made a formal party. The case is pending for evidence.
- xix. A customer, Shivprasad J., filed a case at the MACT, Aurangabad, (MAC 412/99) on September 6, 1999 claiming compensation of Rs. 150,000 with interest. The matter is pending hearing.
- xx. A customer, Shivprasad J., filed a case at the MACT, Aurangabad, (MAC 413/99) on September 6, 1999 for refund of accident claim. The customer has prayed for grant of accident claim and grant of damages for Rs. 12,000 with interest. The matter is pending hearing.
- xxi. A customer, Kanna Venkatesh, filed a case in the Court of the Civil Judge (Priliminary Jurisdiction), Nizamabad, (case no. 274/02) on July 15, 2002 alleging that he has not been issued a no objection certificate despite having paid all the dues. The customer has prayed for issue of the same and Rs. 200 per day from the date of suit till issuance of the no objection certificate and costs of suit. The matter is pending for hearing.
- xxii. A customer, Maiku Lal, filed a case (Case no 85/04) on March 4, 2004, in the Court of the District Judge at Pratapgarh alleging illegal seizure of his vehicle. The customer has prayed for restoring possession of the vehicle and for proper statement of accounts from the Company. The matter is pending filing of reply by the Company.
- xxiii. A customer, M Rajeswari, filed a case in the Court of the Civil District Magistrate at Pondicherry, (OS NO.61/04) on February 25, 2004 alleging that the Company has obtained blank cheques and has prayed for a compensation of Rs. 29,511 and that the Company not use the blank cheques obtained by it. The matter is pending for hearing.
- xxiv. A customer, Dagadu Bajirao Nikam, filed an accident claim case (Case no. MACT 229/00) on April 3, 2001 against several parties including the Company at the Motor Accidents Claims Tribunal, at Aurangabad for a compensation of Rs. 150,000 and interim relief of Rs. 50,000. The matter is pending for hearing.
- xxv. A customer, Parmeshwari filed a case at the MACT, Jhunjhnu, (Case no. 26/05), on September 24, 2004 against the Company and an employee of the Company seeking accident claims. The customer has prayed for Rs. 436,300 together with interest. The matter is pending filing of reply by the Company.
- xxvi. A customer, M P Singh, filed a case at the MACT, Shahdara, Delhi (Case No 388/03), on March 11, 2005 under sections 166 and 140 of the MVA. The customer has prayed for compensation of Rs. 1,000,000. The matter is pending filing of reply by the Company.
- xxvii. A customer, Dharam Singh, filed a case at the MACT, Bhinmal, Jalore, (Case no. 008/2005), on August 4, 2005 alleging that an accident had taken place by a vehicle financed by the Company. The customer has prayed for Rs. 3,013,500 as compensation and Rs. 50,000 as no fault liability damages. The matter is pending for hearing.
- xxviii. A customer, Savitri Devi (wife of deceased) filed an accident claim (No. 94/03) at the MACT, Raigad on October 7, 2003 claiming compensation of Rs. 437,200. Further, Sirmati Devi (mother of deceased) filed a claim of Rs. 968,600 at the MACT, Raigad (Accident claim no. 28/04) on March 18, 2004. Sirmati Devi has filed an application to integrate both the said claims in the same forum. The matter is pending for hearing.
- xxix. A customer, Rajesh Kumari filed an accident claim at the MACT, Jind (Case no. 2000/03) on September 19, 2003 claiming an amount of Rs.1,200,000 from the insurance company as well as Rs. 50,000 as no fault liability. The matter is pending for hearing.
- xxx. A customer, Sk. Saleem, filed an accident claim case (Case no. MACT 618/02) on June 27, 2003 against Ramkishan and the Company at the MACT, Aurangabad for a damage claim of Rs. 300,000 with interest and Rs. 25,000 as interim relief. The same is pending for hearing.

- xxxi. A customer, Parmod Kumar, filed a civil case in the Court of the Civil Judge, Senior Division, Sonapat (Case no. 32/04) on September 9, 2004 alleging apprehension of illegal seizure of the vehicle. The customer has prayed that the Company be prevented from recovering the penal amount over instalments which could not be paid by him. The Company has filed an application for arbitration under section 8 of the ACA. The matter is pending hearing.
- xxxii. A customer, Subhash Vadatkar, filed an accident claim at the MACT, Achalpur (Case no. 83/04) on December 23, 2004 praying for relief of Rs. 22,500. The Company has asked the court that it be discharged from the same. The matter is pending for appearance by the insurance company on February 14, 2006.
- xxxiii. A customer, Pardeep Kumar, filed an accident claim at the MACT, Narnaul (Claim No. 282/02) on February 23, 2004 praying for relief of Rs.1,000,000. The matter is pending for hearing.
- xxxiv. A customer, Avinash Chandrakant Pandit filed a case in the Court of Civil Judge Solapur, (case no. 928/05), on November 19, 2005 against the Company alleging improper account statement and apprehension of illegal seizure his vehicle. The customer has prayed for issuance of proper accounts, mandatory injunction restraining the Company from seizing the vehicle and damages of Rs 50,000 with 18% interest per annum. The matter is pending in the court for hearing on application filed under Section 8 of ACA.
- xxxv. A customer, Arun Kumar Mishra filed a case in the Court of Civil Judge, Faizabad, (case no. 221/05), on October 19, 2004 against the Company alleging the vehicle given to the dealer for purpose of repairs was illegally handed over to the Company. The customer has prayed for release of vehicle. The matter is pending for hearing.
- xxxvi. A customer Omprakash filed a case in the Fast Track Court, Hanumangarh, (case no. 64/03), on August 11, 2005 against the Company alleging that the after issuing no objection certificate the Company has continued to make calls for payment for outstanding dues. The Complainant has prayed Rs 28,000 as compensation. The matter is pending for hearing.
- xxxvii. A customer Inderbir Kaur filed a case in the Civil Court, Amritsar (case no.887/05), on December 12, 2005 against the Company alleging that the Company is calling for payment of arbitrary outstanding dues. The customer declaration of no-dues. The matter is pending in court for appearance of the Company.
- xxxviii. A customer, Nirmail Singh filed a case in the Court of Civil Judge, Patiala, (case no.432/05), on October 20, 2005 against the Company alleging non issuance of no objection certificate by Company. The Complainant has prayed for direction to the company to issue no objection certificate and to return all blank cheques, stamp papers, etc. The matter is pending in the court for appearance by the Company.
- xxxix. The complainant, Kamla Devi filed a case in the Court of Additional District Judge, Kanpur, (case no. 822/05), on October 6, 2005 against a customer of the Company and the Company alleging death of her son due to an accident involving a non-insured vehicle financed by the Company. Complainant has prayed for Rs. 5,016,000 as compensation. The matter is pending for hearing.
- xl. A Smt. Rakhi, Krisnpal and Harit Kumar, complainants have filed a case (case no. 2/06) in the Court of District Judge against the Company and the National Insurance Company on January 4, 2006 for accident claim. The Company is made a third party in the case to clear the issue regarding ownership of vehicle. The Complainant has prayed for accident claim of Rs. 4,430,000 with interest of 10% from date of accident. The matter is pending in the court for hearing.
- xli. A customer, Sanjay Prakash Mishra filed a case in the Court of District Judge, Senior Division, Satna., (case no. 39A/05), on July 13, 2005 against a dealer alleging that defect in vehicle chassis. The customer has also prayed for a decree of permanent injunction directing the Company to not recover Rs. 71,900/-. The matter is pending in the court for arguments.
- xlii. A customer, Rafeeq Shah filed a case in the Court of Civil Judge, Bareilly, (case no. 824/05), on December 21, 2005 against the Company alleging non issuance of no objection certificate by the Company and attempts by the Company to repossess the vehicle illegally. The customer has prayed for injunction restraining the Company from repossessing the vehicle, to return excess amount of Rs. 200 arbitrarily taken by the Company and the cost of suit. The matter is pending in the court for disposal of stay application.

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- xliii. A customer, Sanjeev Kumar filed a case in the Court of Civil Judge, Shimla (case no. 114/2005), on November 8, 2005 against the Company alleging demand of excessive dues, illegal repossession and apprehension of misuse of post-dated cheques taken from the customer at time of financing. The customer has prayed for possession of the vehicle and permanent prohibitory injunction restraining company from using unutilized post-dated cheques in the custody of company. The matter is pending in the court for hearing on application filed under section 8 of ACA.
- xliv. A customer, Guman Lal filed a case in the Court of Mandsour, (case no. 221/05), on November 25, 2005 against the insurance company and the Company alleging that vehicle, financed by the Company had met with accident but no claim was released by the insurance company. The customer has prayed for damages aggregating to Rs. 295000. The matter is pending in the Court for hearing.
- xl. ING Vyasa has filed a case in the Civil Judge Senior Division, Bijapur (Case No. 7/06), on January 2, 2006 against the Company and a customer of the Company claiming Rs 603,992 as damages and interest there on. No specific allegation against the Company has been made. The matter is pending for hearing.
- xlvi. Smt. Rakhi, Krisnpal and Harit Kumar has filed a case in the District Judge, Haridwar (Case No. 2/06), on January 4, 2006 against the Company and customer of the Company for accident claim claiming compensation of Rs 4,370,000. The matter is pending for hearing.
- xlvii. Bihari Gas has filed a case in the Civil Judge Senior Division, Varanasi (Case No. 75/06), on January 25, 2006 against the Company alleging no registration certificate of the vehicle has been provided. The Complainant has prayed for the issuance of registration certificate and cost of the suit. The matter is pending for hearing.
- xlvi. Shaikh Chand has filed an accident claim in the Motor Accident Claim Tribunal, at Ambajogai (Maharashtra) (MACP No 3/06) on January 6, 2006 claiming accident compensation of Rs. 25,000 from the Company on grounds that the Company is the financier. The matter is pending for hearing.

Consumer Cases

The Company has three hundred and forty four consumer litigations pending against it. The aggregate of claims in these claims is approximately Rs. 45.3 million.

Forum	Number of cases	Amount involved (Rs. Million)
District Consumer Dispute Redressal Forum	305	39.3
State Consumer Dispute Redressal Forum	39	6.1

Tax Related Cases

Income Tax Cases

There are disputes relating to income tax assessments for the assessment years 1997-98, 1999-2000, 2000-01, 2002-03 and 2003-04 and the aggregate of claim under dispute is approximately Rs. 118.8 million.

- a) The primary issue in the income tax cases is as follows: Disallowance of Depreciation on leased assets - The contention of the Assessing Officer is that the lease transactions are in the nature of pure finance (loan) transactions and hence he has disallowed depreciation on such leased assets.
- b) The other income-tax cases in the various financial years are as follows:
 - i. In the assessment year 1997-98: On reopening of the assessment under section 147 of the I.T. Act the Assessing Officer imposed a liability of Rs. 14.51 million on us. In the said reassessment, the Assessing Officer disallowed the interest accrued on non performing assets. The case is pending before the ITAT.
 - ii. In the assessment year 1999-2000: In the assessment order the Assessing Officer had disallowed depreciation on leased assets, loss on preclosure of hire purchase contracts, guarantee commission incurred and bad debts written off. The matter is pending before the ITAT.
 - iii. In the assessment year 2000-01: The Assessing Officer has imposed a liability of Rs. 14.6 million on us. The said demand has been partly paid and partly adjusted against refunds of assessment years. In the assessment

order, the Assessing Officer has disallowed Depreciation on leased assets, expenditure under section. 35D and expenditure under Section 14A of the ITA. The matter is pending final adjudication before ITAT.

- iv. In the assessment year 2002-03: The Assessing Officer has imposed a liability of Rs. 28.72 million on us by disallowing depreciation on the leased asset. The said demand has been partly paid and partly adjusted against refunds of assessment years. The case is pending before the ITAT.
- v. In the assessment year 2003-04: The Assessing Officer has imposed a liability of Rs. 60.90 million on us by disallowing depreciation on the leased asset and bad debts. The case is pending before the CIT Appeals.

Sales Tax Cases

For the financial year 2001-02 sales tax liability of Rs. 9.85 million has been imposed on the Company. Out of this total amount, Rs. 3.12 million has been paid.

Criminal Cases

There are twenty six criminal cases pending against us before various courts and authorities in India. The details of these are as follows:

- i. Sendhbhai Chauhan, a customer has filed a petition under section 482, Criminal Procedure Code, 1973 (CrPC) before the High Court of Gujarat (CRA No. 8395/04) on February 24, 2005 seeking dismissal of the complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881 (NIA). The original complaint was filed by the Company claiming redressal against the bouncing of the cheque issued by Sendhbhai Chauhan. The matter is pending before the High Court.
- ii. The Chattarpur Branch of the Company seized the vehicle of one of its customers, Dwarika Singh because of non payment of dues. He has filed a complaint on May 12, 2003 in the Court of the Judicial Magistrate, First Class, Deosar (Complaint number: 785/03) under section 392 of the Indian Penal Code, 1860 (IPC) claiming that employees of the Company had illegally repossessed his vehicle and are guilty of robbery. The Company had filed a petition under section 482, CrPC (M.Cr.C. No. 973/04) before the High Court, Jabalpur for quashing of the complaint. Simultaneously a stay application was moved which has been allowed and the trial court proceedings have been stayed. Based on the stay order, the Company moved an application under section 205 of the CrPC for exemption from personal appearance before the trial court which has been allowed. The matter is now pending before the High Court for final hearing.
- iii. The Jabalpur branch of the Company seized the vehicle of one of its customers, Ganesh Prasad Patel on grounds of non payment of dues. The customer filed a complaint under sections 394 and 411 of the IPC in the Court of the Judicial Magistrate, First Class, Narsinghpur (Complaint no. 1231/03) on June 17, 2003 alleging that employees of the Company forcibly repossessed his vehicle. Charges of robbery and dishonestly receiving of stolen property were framed against the employees. The Company filed a petition under Section 482 of the CrPC (M.Cr.C. No. 972/04) before the High Court, Jabalpur for dismissal of the complaint. The matter is now pending before the High Court.
- iv. Narmadeshwar Pathak, a customer of the Company filed a petition under section 482 of the CrPC before the High Court at Jabalpur (CRA No. 3671/05) in the year 2005 seeking dismissal of the complaint filed by the Company. The original complaint was filed by the Company at the Court of the Assistant Chief Judicial Magistrate, Bhopal under Section 138 of the NIA for claiming redressal for the bouncing of the cheque issued by Narmadeshwar Pathak. The matter is pending in the High Court.
- v. The Company seized the vehicle of one of its customers, I.S.C. Balu on the grounds of non payment of dues. The customer filed a complaint on February 4, 2005 in the Court of the Fourth Judicial Magistrate, Salem (crime no. 591/05) against the Company alleging dacoity, killing of his pet animal and criminal intimidation for seizing of his vehicle. The Company filed a petition under section 482 of the CrPC, before the High Court at Chennai (Cr. O. P. No.6451/2005) on March 17, 2005 for quashing of the complaint filed by the customer. Simultaneously a stay application (Cr.M.P. No. 2395/2005) was moved which has been allowed and the trial court proceedings have been stayed. The proceedings before the trial court have been stayed by High Court by its order dated March 24, 2005 and presently only the petition under section 482, CrPC is pending for final hearing.

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- vi. Abbas, a customer of the company and his guarantor filed a petition under a petition under section 482 of CrPC before the High Court of Kerala (Cr.MC No.2449/05) on August 30, 2005 seeking dismissal of the criminal complaint against the guarantor, which was filed by the Company. The original complaint was filed by the Company before the Court of the Judicial Magistrate, First Class, Kanhangad (CC.No.362/05) for cheating and criminal breach of trust because of nonpayment of installments by Abbas. The matter is pending for hearing.
- vii. The Company seized the vehicle of one of its customers, Beepathumma on grounds of non payment of dues. The customer filed a complaint with the Judicial Magistrate First Class, Palakkad (CMP no 2008/05) against the Company alleging illegal repossession of vehicle. The court passed an order which granted the interim custody of the vehicle to the Company. The customer has filed a revision petition in the District and Sessions Court Palakkad (Cr.RP No.126/05) on September 29, 2005 for setting aside of the said order. The matter is pending for hearing.
- viii. The Company seized the vehicle of one of its customers, Khadeeja on grounds of non payment of dues. The petitioner filed a writ petition on January 20, 2005 in the High Court of Kerala (WC.548/05) alleging police inaction in illegal repossession of his vehicle by the Company. The petitioner has prayed for issue of writ of mandamus and for possession of the vehicle. The matter is pending for hearing.
- ix. The Company seized the vehicle of one of its customers, Muhammed Taha on grounds of non payment of dues. The customer filed a complaint with the Judicial Magistrate First Class, Kattapana against the Company alleging illegal repossession of subject vehicle. The court passed an order (CMP No 1722/04), which granted the interim custody of the vehicle to the Company. The customer has filed a petition under section 482 of the CrPC in the High Court of Kerala (CRMC NO.1496/04) on December 4, 2004 for setting aside the order. The matter is pending for hearing.
- x. A customer, Vydyar, filed a complaint under sections 379 and 34 of the IPC, in the Court of the Judicial Magistrate First Class, Karunagapally (CC.No.1901/04) on September 22, 2005 against two managers and one field officer of the Allepey Branch of the Company for alleged theft of his registration certificate book from the vehicle. The matter is pending for hearing.
- xi. A customer, Sashi Bala field a complaint before the Chief Judicial Magistrate, Karnal on September 3, 2003 against the Company, its Managing Director and another employee of the Company alleging forgery, criminal breach of trust, cheating, criminal intimidation and criminal conspiracy for repossessing the vehicle and disposing off the same by manipulating the documents of the vehicle. The Chief Judicial Magistrate, Karnal summoned the Managing Director. The Sessions Court, Karnal on a revision application filed by the Company and the Managing Director has issued a stay in the said proceedings and ordered the discharge of the Managing Director. The case is continuing against the employee of the Company.
- xii. Krishna Chandra Mishra, a customer of the Company filed a complaint in the Court of Judicial Magistrate, Bahraich (UP) (Crime no. 1941/05) on September 30, 2005 against an erstwhile Manager and employees of the Company for alleged cheating, defamation in filing of the cheque bouncing case against him. The Company had filed the original complaint before the Assistant Chief Judicial Magistrate, Lucknow Court, under section 138 of the NIA claiming redressal for the bouncing of the cheque issued by Krishna Chandra Mishra. The matter is pending in the court for inquiry by the police.
- xiii. A customer, Ramanand Shastri, filed a complaint in the Court of the Judicial Magistrate, Hajipur (Crime no. 2170/05) on September 23, 2005 under section 156(3) of the CrPC for giving direction to the police for lodging a First Intimation Report (FIR) alleging that the Company has committed criminal breach of trust, forgery and cheating and should be punished under sections 406, 465, 467, 420 and 468 of the IPC. The matter is pending for police investigation ordered by the court.
- xiv. A customer, Bishun Dayal Bhagat, filed a complaint in the Court of the Judicial Magistrate, Muzzafarpur (Crime no. 315/04) on May 15, 2004 against one of the Company's dealers and the manager of a branch of the Company for cheating and criminal breach of trust by selling/financing a defective tractor to him. The Company had filed a petition under section 482 of the CrPC for quashing the proceedings of the lower court in the High Court, Patna (Petition no.31463/04) against the manager of a branch of the Company. The High Court has granted a stay on the process.

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- xv. A customer, Saidulu, filed a complaint against the Company, the branch-in-charge of Vijaywada and Kodad Branches in the Court of the Judicial Magistrate First Class, Mahaboobabad (Crime no.161/03) on November 22, 2003 alleging theft and criminal intimidation for illegally repossessing the vehicle. The Company has filed a petition under section 482 (Cr. Petition 1060/04) in the High Court of Andhra Pradesh for dismissing the lower court proceeding. The High Court has stayed the lower court proceedings and the matter is pending for hearing.
- xvi. A customer, Prashant Bhosale filed a complaint under sections 375, 504, 506, 323 and 34 of the IPC in the Court of the Judicial Magistrate, First Class, Mohod bearing no. 189/04 on December 14, 2004 against the Company alleging theft and criminal intimidation, and also moved an application for search warrant and custody of vehicle. The matter is pending for hearing.
- xvii. A customer, Rajiv Dubey, filed a complaint with the Sub-Divisional Judicial Magistrate, Bhubaneswar (I.C.C. No. 210/2000) on May 11, 2000 against the Company and its Managing Director alleging criminal breach of trust, cheating, criminal intimidation and act done by several persons in furtherance of a common intention of misuse of cheques given in good faith. The High Court of Orissa has admitted the application filed by the Company and the Managing Director (Cr. M.Case No. 6246) for quashing the said proceedings of the Magistrates Court and has granted a stay on the process issued by the Magisterial Court. The matter is pending for hearing.
- xviii. A customer, Radhabhai Salunke, filed a criminal complaint (Crime No 424/05) on October 15, 2005 in the court of the Judicial Magistrate First Class Court at Thane against the Company and the Managing Director alleging that cheating and forgery was committed in submitting the indemnity bond and subrogation letter to the insurance company for releasing the claim amount. The customer further alleges dishonest misappropriation of the vehicle and forging of documents. The Magistrate's court has issued summons against the Managing Director. A revision application No. 186/05 has been filed on November 21, 2005 in the Session Court by the Company and the court has called for the records from the lower court and has exempted the Managing Director from appearance till further orders. The matter is pending for hearing.
- xix. A customer, Jagat Narayan Tripathi, filed a criminal complaint (Crime No.3766/2001) on August 7, 2001 before the Chief Judicial Magistrate, Basti against the officers of the Company alleging cheating on the grounds that the vehicle was not serviced during the warranty period and that the Company charged arbitrary and exorbitant monthly installments. The Company filed a writ petition before the High Court at Allahabad for quashing of the trial of the lower court. The matter is pending for hearing.
- xx. A customer, Mithu Das, filed a criminal complaint (173/05) on August 12, 2005 before the Chief Judicial Magistrate, Alipore under Sections 389, 467, 468, 471, 420, 120B of the IPC alleging extortion, forgery, cheating and criminal conspiracy by the Regional Manager, Regional Accountant and against two of Company's erstwhile employees. The Company is in the process of filing an application for anticipatory bail under section 438, CrPC.
- xxi. A customer, Ramesh lodged a FIR bearing No. 3 dated January 7, 2005 under sections 467,468,471,120B, 420 of the IPC against employees of the Company alleging forgery of the affidavit on which the vehicle was transferred. The bail application filed by the Company was rejected. Thereafter the Company approached the High Court at Chandigarh for bail which was granted. The matter is pending for hearing.
- xxii. A customer, Suman, filed a case in the Court at Rohtak on April 15, 2005 against Karan Mehta and Sudeep Mangla of the Karnal branch of the Company for alleged offences committed under sections 452, 506, 406, 385, of the IPC alleging repossession of vehicle under threat of kidnapping and death. The Company has filed a petition under section 482 of the CrPC before the High Court at Chandigarh for dismissal of the court proceedings. The matter is pending for hearing.
- xxiii. A customer, Mehbob D. Mulani filed an application in the Court of Judicial Magistrate at Solapur (Cr. No. 1128/05) against the Company alleging illegal seizure of the vehicle. The relief claimed by the complainant is return of is vehicle. The matter is pending for Company's reply.
- xxiv. A customer Santosh Kumar Mittal, filed a case (Cri. No. 94/05) in the Court at Judicial Magistrate First Class, Bhopal on January 1, 2006 against a branch manager of the Company and 6 others alleging causing hurt to him while committing robbery of his vehicle. The matter is pending before the court for appearance by the Company.

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

- xxv. A customer, Manoj Kumar Yadav filed a case (Cri. No. 1741/05) in the Court of Judicial Magistrate First Class, Gairatganj on October 19, 2005 against the Managing Director of the Company, Branch Manager of Lucknow and others alleging cheating and criminal breach of trust by not providing him with the no objection certificate and by not returning him the security deposit amount of Rs.5,000. The matter is pending before the said Court for appearance.
- xxvi. Shops & Establishment Inspector, Municipal Corporation of Greater Mumbai has filed a criminal complaint in Special Metropolitan Magistrate Court, Borivali against the Managing Director of the Company, Zonal Manager, Area Manager, Regional Manager of Goregaon for non- compliance of maintaining employment register and leave register in the prescribed form.

Arbitration proceedings

- i. The Company is involved in fifty eight arbitration proceedings with its customers claiming the unpaid amount due under various financing arrangements. The aggregate of claims in these proceedings is approximately Rs. 16.7 million.
- ii. The Company is involved in two hundred and eighty four arbitration proceedings with its customers. In these cases the Company had reposited the vehicles where the amount due was not paid and then had resold them. The amount so realized had not been adequate to meet the amount due from the customers. The arbitration proceedings were initiated to claim such shortfall amount. The aggregate of claims in these proceedings is approximately Rs. 34.5 million.

Litigation filed by the Company

The Company has filed 2,788 cases for claiming relief under section 138 of the NIA for cheques issued in favour of the company that were not honoured. The aggregate of claims in these proceedings is approximately Rs. 357.5 million.

LITIGATION AGAINST OUR DIRECTORS

Litigation against Mr. Anand Mahindra

Civil Cases

- i. A suit has been filed before the Civil Judge, Senior Division, Gazipur by an ex-dealer of M&M seeking to restrain them from terminating his dealership and appointing another dealer. The order passed by the court against M&M has been set aside by the High Court at Allahabad. The amount involved is Rs.1.6 million. The matter is pending for hearing.

Criminal Cases

- i. The Maharashtra Security Guard Board filed a criminal complaint (183/1998) against Mahindra Realty & Infrastructure Developers Limited and its directors including Mr. Anand Mahindra for their non registration as an employer under the Maharashtra Private Security Guards (Regulation of Employment and Welfare) Scheme, 1981. A revision application was filed by Mr. Anand Mahindra, such application was rejected. A stay of the lower courts' orders has been granted by the High Court at Mumbai.
- ii. Six criminal complaints have been filed before various courts in India by dealers and customers of M&M and other group companies against Mr. Anand Mahindra and others, alleging cheating on various grounds including the non supply of vehicles, supply of defective vehicles, defective services by a group company inspite of receiving the due consideration for the vehicle and other services. The orders passed by the lower court were challenged before the relevant high courts who have stayed the proceedings. The matters are pending final hearing.
- iii. A dealer filed a criminal complaint before the Chief Judicial Magistrate, Karnal against M&M and its directors including Mr Anand Mahindra alleging that six cheques deposited by M&M in the bank were stolen from his premises and were not issued by him. M&M and its directors have filed a petition to quash the proceeding before the Punjab and Haryana High Court. The court has stayed the proceedings, pending final hearing.
- iv. A criminal complaint has been filed against Mr. Anand Mahindra by Shops & Establishment Inspector, Municipal Corporation of Greater Mumbai with Special Metropolitan Magistrate Court, Borivali alleging non- compliance of maintaining employment register and leave register in the prescribed form under the Shops & Establishment Act. The matter is pending hearing.

Labour Cases

- i. Some ex-employees and workmen of group companies have filed four complaints before appropriate labour court/ industrial tribunals against Mr. Anand Mahindra and the relevant group company alleging various grounds including wrongful termination of their services, change in working conditions and demanding compensation, back wages and for reinstatement where applicable. The matters are pending for hearing.
- ii. 3 complaints have been filed by one of the employees' union at one of the factories of M&M before the labour courts against Mr. Anand Mahindra, M&M and others on several grounds including termination of services of workmen, shifting of machinery, transfer of workmen, redeployment of workmen, out sourcing manufacturing activities, stay on voluntary retirement scheme and lay-off. These complaints are pending for hearing.

Consumer Cases

There are 53 consumer complaints filed before various consumer courts such as District Forum, State Forum and National Forum, in which Mr. Anand Mahindra has been impleaded as a party. These complaints include allegations including deficiency in service, defects in the vehicle and delay in delivery. These complainants have claimed replacement of the tractors and vehicles and/or compensation. The total claim involved in these cases amounts to approximately Rs. 10.8 million. The matter is pending for hearing.

Litigation against Mr. Bharat N. Doshi

- i. A criminal complaint (4354 (S) of 2000) has been filed against Mr. Bharat N. Doshi, in his capacity as director of Ramani Hotel Limited (RHL) alleging that RHL had not correctly published its annual accounts. Mr. Bharat N. Doshi has since ceased to be the director of RHL from September 29, 2000. The High Court at Mumbai has stayed the proceedings before the lower court.
- ii. The Maharashtra Security Guard Board filed a criminal complaint against Mahindra Realty & Infrastructure Developers Limited and its directors including Mr. Bharat N. Doshi for non registration of the company as an employer under the Maharashtra Private Security Guards (Regulation of Employment and Welfare) Scheme, 1981. A dismissal petition under Section 482 of CrPC was filed by Mr. Doshi as he was never a director or officer in the company and that his name has been wrongfully included. The High Court at Mumbai has stayed the order passed by the lower court.
- iii. A show cause notice was issued by the Director General of Foreign Trade under Section 14 of the Foreign Trade (Development & Regulation) Act, 1992 against RHL, Mr. Bharat N. Doshi and others alleging that RHL has failed to furnish the relevant documents within the prescribed period in terms of the Export Promotion Capital Goods Scheme. Mr. Bharat N. Doshi has replied to the show cause notice stating that he joined the board of RHL as a non-executive Director in June 1998 and ceased to be the director consequent to his resignation from the board of RHL on September 29, 2000, i.e., much before the expiry of period allowed to RHL for fulfilling the export obligation and filing the documents evidencing the same. The matter is pending for hearing.

Litigation against Mr. Uday Phadke

A summon has been received from the Special Metropolitan Magistrate, Municipal Bench Court, in the name of Mr. U.Y. Phadke and 3 others, in their capacity as the directors of Mahindra Shubhlabh Services Limited, for the alleged violation of the provision under Section 7 of the Shops & Establishment Act for non renewal of the registration certificate of the establishment and for non-display of the same at the establishment, as required under the Shops & Establishment Act. The matter is pending for hearing.

Litigation against Mr. Manohar G. Bhide

A summon has been received from the Special Metropolitan Magistrate, Municipal Bench Court, in the name of Mr. M.G. Bhide and 3 others, in their capacity as the directors of Mahindra Shubhlabh Services Limited, for the alleged violation of the provision under Section 7 of the Shops & Establishment Act for non renewal of the registration certificate of the establishment and for non-display of the same at the establishment, as required under the Shops & Establishment Act. The matter is pending for hearing.

Litigation against Mr. Ramesh Iyer

There are four complaints filed before various courts by the customers of the Company against Mr. Ramesh Iyer and others alleging various grounds including cheating. In two cases, the higher court on a revision petition has stayed the proceedings and in the third case the court has exempted him from appearing before the court. The proceedings are pending for hearing.

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LITIGATION AGAINST OUR PROMOTER

Contingent Liabilities as of March 31, 2005

M&M had contingent liabilities not provided for as of March 31, 2005 as follows:

(a) Guarantees given by M&M as on March 31, 2005:

	Amount of guarantees (Rs. million)	Outstanding amounts against the guarantees (Rs. Million)
For employees	10.5	0.04
For other companies	590.0	478.4

(b) Claims against M&M not acknowledged as debts as on March 31, 2005 comprise of:

- Excise Duty, Sales tax and Service Tax claims disputed by M&M relating to issues of applicability and classification aggregating to Rs. 408.9 million (Net of Tax: Rs. 329.1 million);
- Other Matters (excluding claims where amounts are not ascertainable) Rs. 35.3 million (Net of Tax: Rs. 23.1 million);
- Claims on capital account: Rs. 11.8 million.

(c) Uncalled liability on equity shares as on March 31, 2005 partly paid Rs. 105.0 million.

(d) Taxation matters till March 31, 2005:

- Demands against M&M not acknowledged as debts and not provided for, relating to issues of deductibility and taxability in respect of which M&M is in appeal and exclusive of the effect of similar matters in respect of assessments remaining to be completed - Income-tax: Rs. 1,004.0 million;
- Items in respect of which M&M has succeeded in appeal, but the Income-tax Department is pursuing/likely to pursue in appeal/reference and exclusive of the effect of similar matters in respect of assessments remaining to be completed - Income-tax matters: Rs. 472.3 million and Surtax matters: Rs. 1.3 million.

(e) Bills discounted not matured, as on March 31, 2005, Rs. 1,224.0 million.

Litigation

Civil Cases

- M&M has forty civil cases instituted against it. The aggregate amount, where claimed and where quantifiable, in these cases is approximately Rs. 126.7 million.
- Seven of the above civil cases have been filed by M&M's dealers, on grounds including breach of dealer contract, restraining M&M from invoking bank guarantee, wrongful termination of the dealership aggregating Rs. 38.2 million, where an amount has been claimed and is quantifiable.
- Other Miscellaneous Civil Cases:

The other thirty three miscellaneous cases, pending against M&M aggregate approximately Rs. 88.5 million. The cases have been summarized below:

- M&M has challenged and appealed before the High Court at Mumbai against the order passed by the Small Causes Court on the notice of Mumbai Municipal Corporation demanding the octroi for total sum of Rs. 6.1 million towards import of software acquired by way of license, including further licences for additional number of users of software. The appeal is pending hearing.
- M&M had filed a suit against Credential Finance Limited (Credential) for recovery of sum of Rs. 89.7 million towards the redemption of non convertible debenture issued to M&M by Credential and the unpaid interest thereon. Credential has subsequently filed a recovery suit before the High Court at Mumbai claiming Rs. 68.7 million on the ground of excess payment made by it to M&M. Credential has also prayed for cancellation of

the non convertible debenture amounting to Rs. 50.0 million issued by it to M&M. The matters are pending hearing.

- Canara Bank has filed a recovery case before the Debt Recovery Tribunal against Sunex Automotive Plastics Private Limited (Sunex) and others including M&M. M&M is one of the drawees/acceptors of certain bills and hundis drawn by Sunex involving a sum of Rs. 10.5 million. Sunex has failed to honour the hundis which were discounted by M&M with Canara Bank. Canara Bank is claiming the amount from M&M as well. The sum involved against M&M is Rs. 2.2 million. The matter is pending hearing.
- M&M also has twelve civil legal actions filed against it on grounds including non delivery of vehicles and compensation, replacement of defective vehicle, recovery of excess or advance amount. The sum involved in these cases is approximately Rs. 11.3 million.
- M&M has been added as a party or as a party to seventeen actions, including claims by its shareholders relating to transfer and/or transmission of their shares, where no monetary claim has been made against M&M.
- New India Assurance Co., Ltd, has filed a recovery suit against M&M alleging that M&M, being the transporter, is liable to pay for the loss/ damage caused to goods in transit. A decree was passed against M&M by Delhi Court holding it liable to pay compensation of Rs.98,415/- with interest of 18% thereon and suit cost . M&M has filed an application for setting aside the order. The matter is pending for hearing.

Employee Related Cases

M&M has cases filed by its workmen and officers against it before labour courts and civil courts which are summarised below:

- i. Three hundred fifty nine cases have been filed against M&M by its suspended employees, ex-employees, contract workmen alleging ground such as illegal termination, suspension, and claiming permanency and/ or for payment of back wages. The sum involved in these cases is Rs. 116.5 million.
- ii. The union at one of the M&M factories has filed a case before the industrial tribunal against M&M claiming wages during the strike period i.e. between the period January 11, 2000 and February 9, 2000. The claim made by the union aggregates to Rs. 67.5 million.
- iii. Six cases have been filed by M&M's ex-workmen and officers alleging either insufficient or non payment of voluntary retirement scheme compensation. The amount involved in these cases is approximately Rs. 12.7 million.
- iv. M&M has challenged, by filing a writ petition before the High Court at Kolkata, three demand notices from Employees State Insurance Authority claiming Rs. 1.3 million, for the period from January 1968 to March 1989, along with the interest, on the basis of wrongful consolidation of payment in relation to the contributions of non M&M employees and M&M employees by the department. The petition before the High Court at Kolkata is at final hearing stage.
- v. There are twenty nine miscellaneous cases filed by employees against M&M, wherein the sum involved is Rs. 1.0 million and eleven cases filed by employees unions at certain plants of M&M and officer's association on various grounds. No monetary compensation has been claimed in these cases.
- vi. Eight officers of Roplas India Limited have filed before junior division civil judge Pune, suit for claiming for monetary benefits of its Voluntary Retirements Scheme. Mahindra Holding and Finance Limited and M&M have also been named as a party in the suit.

Property Related Cases

M&M has eleven property related litigation pending against it. The sum involved in these legal actions is about Rs. 69.9 million:

- i. M&M has filed a petition before the High Court at Hyderabad against the Commissioner (Land Acquisition), Hyderabad and Mandal Revenue Office, Zaheerabad against order passed by the appellate authority viz. revenue divisional officer, Zaheerabad on a notice issued by Mandal Revenue Office to Mahindra Allwyn Nissan Limited (which was merged with M&M) demanding an amount of Rs. 56.46 million being compensation awarded to the land owners, for the land acquired on its behalf by the Andhra Pradesh Government.

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- ii. A notice was issued by the Collector of Stamps at M&M's Jaipur plant claiming Rs. 11 million as inadequate stamp duty paid on sale deed for the purchase of land at Jaipur. The matter is presently pending before the Collector of Stamps.
- iii. Eight suits including for eviction and encroachment have been filed against M&M aggregating approximately Rs. 2.40 million, where the amount is quantifiable.
- iv. The plaintiff has filed a suit against M&M and others in the Civil Court, Thane praying for permanent injunction restraining M&M from entering the suit property. The suit was filed on ground that the suit property was illegally acquired by the builder, who had sold it to M&M. The matter is now pending for hearing.

Consumer Cases

M&M has nine hundred and forty eight cases filed by its customers before various consumer courts such as the District Forum, State Forum and National Forum, alleging deficiency in service, defects in the vehicle/tractor, delay in delivery etc., and claiming replacement of the tractors and vehicles and/or compensation. The total claim involved in these cases amounts to approximately Rs.121.1 million.

Forum	Number of cases	Amount involved (Rs. in million)
District Consumer Dispute Redressal Forum	691	92.9
State Consumer Dispute Redressal Forum	243	14.8
National Consumer Dispute Redressal Forum	14	13.4
Total	948	121.1

Insurance related cases/workmen's compensation cases

M&M is involved in seven hundred and seven cases, summarized below, where various claims have been made against M&M and/or the insurance companies. All the insurance claims, by survivors or their heirs, relate to third party claims, personal injury and fatal accidents occurring during the transit of the vehicles. The claims are usually filed before the appropriate MACT and occasionally before the commissioner of workmen's' compensation:

- i. Three hundred and forty six cases have been filed jointly against the various insurance companies and M&M before various MACT and or the Commissioner of Workmen's Compensation on account of accidents occurring to M&M vehicles in transit and M&M has been joined only as a necessary party. The aggregate claim made under these cases amount to Rs. 128.3 million. There is no financial implication on M&M under these cases as the respective insurance companies would be liable for the same.
- ii. Twenty cases are pending against M&M where insurance companies have declined liability under the term of the insurance policy conditions. The aggregate amount of claims arising from these cases is Rs. 15.3 million. All such claims are made in cases where the transporter has taken passengers en-route during transit.
- iii. Three hundred and twenty two cases are pending against M&M and insurance companies where the insurance company has still not declined liability and proceeding of the cases have not been served on M&M. The amount involved in such cases is not ascertainable.
- iv. There are nineteen cases where the insurance company has preferred an appeal against the order passed by the MACT tribunals, wherein M&M has been made party to the proceeding. The amount involved is Rs. 46.9 million.

Tax related litigation

Income Tax Cases

- i. M&M has filed eighteen appeals pending before Appellate authorities, Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal, High Courts, etc. The amount claimed under the appeals aggregates to Rs. 1,024.8 million.
- ii. In thirty cases M&M has filed and succeeded in appeals on various claims made by the Income Tax Department, the Income Tax Department is however pursuing or is likely to pursue an appeal/reference in these cases (including surtax). The amount involved in these appeals aggregates to Rs. 497.5 million.

Sales Tax

M&M has thirty eight sales tax related matter pending against it. The aggregate amount involved in the matters is approximately Rs. 100.4 million.

Excise Related Claims

M&M has twenty four excise related matters pending against it. The aggregate amount involved in the matters is Rs. 3,294.4 million.

Criminal Cases

There are seventeen criminal cases pending against M&M before various courts and authorities. The details of these are as follows:

- i. A dealership contract of one of the dealer was terminated by M&M. Pursuant to that three criminal complaints have been filed against M&M under section 425, 420, 409, 467, 471, 120B, 323, 505, 504 read with Section 34 of IPC by the dealer and two of his customers alleging that the due payment of consideration by demand drafts aggregating to Rs. 2.2 million, Rs. 0.2 million and Rs. 0.2 million respectively has been made but M&M has not delivered the tractors to them. M&M has filed criminal writ petition in one of the complaints before the High Court at Mumbai. The court has admitted the application and stayed the criminal process. M&M has filed a criminal revision petition pertaining to the other two, before the High Court at Mumbai, which have been admitted and stay of the proceedings in the lower courts has been granted.
- ii. A customer of M&M filed a complaint under Section 420 of the IPC against M&M and its directors alleging supply of inferior quality vehicle. A petition under section 482 for quashing the proceeding has been filed, which is pending for hearing.
- iii. A customer of M&M filed a complaint under Section 406, 420, 467, 468, 471, 120 B of IPC alleging that M&M is guilty of cheating and supplying defective vehicle. M&M has filed a petition under Section 482 CrPC before the High Court at Patna for quashing the proceedings which is pending for hearing.
- iv. The commissioner of excise and prohibition has filed a special leave petition before the Supreme Court against the order of the Andhra Pradesh High Court releasing the confiscated vehicle of M&M. The M&M vehicle was being transported from Zaheerabad factory to the regional sales depot at Chennai on stock transfer through a transport agency when it was intercepted by the excise inspector. The matter is pending for hearing.
- v. A dealer of M&M has filed a criminal complaint before the Chief Judicial Magistrate, Karnal against M&M and its directors alleging six cheques deposited by M&M in the bank were stolen from his premises and were not issued by him. M&M and its directors have filed a petition to quash the proceeding before the Punjab and Haryana High Court, which has stayed the proceeding, pending the hearing and final disposal of the petition.
- vi. Three criminal complaints has been filed against the occupier and manager of the Kandivli Unit (Farm Equipment and Auto Sector) of M&M under Factories Act, 1948 by Deputy Director for Industrial Safety and Health alleging that the specified safety and health standards were not met by the unit. The cases arose from the injury suffered by workmen working at the above unit. The matters are pending with the Metropolitan Magistrate, Andheri, Mumbai.
- vii. Six criminal complaints have been filed against the occupier and manager of Kandivli unit (Auto Sector) of M&M, by Director for Industrial Safety and Health alleging that the unit had violated Section 54 of the Factories Act, 1948 by working beyond 9 hours without permission from the authorities. The case is pending before the Metropolitan Magistrate, Andheri, Mumbai.
- viii. A criminal complaint (cc 849/05) has been filed against general manager M&M, before the Judicial Magistrate First Class Cherthala, Kerala alleging cheating. M&M has received the summons to appear before the court on 2nd March 2006 and the complaint copy has not been served on M&M.

Litigation filed by M&M

- i. M&M has filed a petition before the High Court at Delhi challenging the award passed against it by the arbitrator in relation to arbitration for the dispute between the director general of supplies and disposal and M&M. The award passed against M&M is for a sum of Rs. 3.1 million. The matter is pending in the High Court at Delhi.

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- ii. M&M has filed forty six cases for claiming relief under Section 138 of the NIA for cheques issued in favour of M&M but were not honoured. The aggregate of claims in these proceedings is approximately Rs. 120.2 million.
- iii. M&M has filed twenty four recovery suits for claiming amounts due under various contractual arrangements such as dealer contracts; amounts due on discounted bills and amounts due on the debentures in which M&M had invested. The amount involved in these cases is Rs. 334.1 million.
- iv. M&M has filed three cases involving immovable property. One suit is for specific performance of a contract for sale of land. The other case is an eviction suit asking the employee to vacate M&M's company property as he is no longer entitled to the same, the decree has been issued in M&M's favour and M&M has applied for execution of the decree. The third suit is filed against an encroacher and claiming damages and loss suffered due to the caving in of the property. The amount claimed is Rs. 2.0 million. The matter is pending for hearing.
- v. M&M has filed three trademark cases restraining Mahendra & Mahendra Paper Mills Limited, Mahendra & Mahendra Seeds Limited; Mahendra & Mahendra Electronic Limited from infringing and/or passing off the mark "Mahindra" and "Mahindra & Mahindra". The High Court at Mumbai granted an order in the notice of motion as well an appeal in notice for motion in favour of M&M. The Supreme Court has also confirmed the order passed by the High Court. The suits are pending for trial.
- vi. M&M has filed a criminal complaint against North Bay Industries for criminal breach of trust. M&M had sent 10 chassis to North Bay Industries for body building who did not return these chassis but hypothecated them to the Allahabad Bank and availed a loan. The chassis were seized by police and returned to M&M. M&M also filed a case under Section 406 and 420 of the IPC against K.N. Roy and Allahabad Bank, for criminal breach of trust. K.N. Roy and the manager of Allahabad Bank have filed separate discharge application. Further, M&M had also filed a civil petition claiming the amount due under a bank guarantee issued by Allahabad Bank in this transaction. The civil matter has been settled and is yet to be taken on record by the court.
- vii. M&M has filed two cases against its unions and member employees of such unions before the appropriate courts in whose jurisdiction the particular factory unit is located, seeking to restrain workers and employees from agitating in front of the factory gate.
- iv. A suit (2965 of 2003) is filed by M&M against the State of Gujarat and Gujarat State Investments Limited, for recovery of losses suffered by M&M to the tune of Rs.24.95 million along with interest related to the due diligence carried out by M&M for the acquisition of shares of Gujarat Tractor Corporation Limited in the year 1999. The defendants have not filed their written statement so far and the matter is likely to proceed ex-parte.

LITIGATION INVOLVING OUR PROMOTER GROUP COMPANIES

Litigation Against Mahindra Ugine Steel Company Limited

Contingent Liabilities

MUSCO had contingent liabilities not provided for as of March 31, 2005 in relation to

- a) Bills discounted (customers' bills) but not matured Rs. 2.1 million.
- b) Excise duty:
 - i) Claims against MUSCO not acknowledged as debts Rs. 223,947.
 - ii) Other excise matters for which the company is contingently liable Rs. 58,536,326. These are in respect of matters which have been successfully defended by the company and where the Department has further gone in appeal. This includes:
 - Rs. 6,223,476: which relates to the method of valuation of customer processed finished goods for the purpose of discharge of excise duty, where the customer supplies raw material. This matter has been settled by the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) in favour of the company.
 - Rs. 36,508,71 - which relates to inclusion of scrap credit in the assessable value for the purpose of payment of excise duty. This matter has been settled by CESTAT in favour of the company.

In both the above mentioned cases, the department has gone in appeal to the Supreme Court.

- Rs. 1,303,110 being other matters, in respect of which the the excise department has continued to issue show cause notices for subsequent periods aggregating to Rs.14,501,030.
- c) Taxation demands: Rs. 16,238,396 against which MUSCO had filed its appeal which was decided in its favour. The department has now filed an appeal against the order claiming Rs. 15,041,926.
- d) Guarantees given by the company to the banks and to a financial institution for the sum of Rs. 150,000,000 and Rs. 100,000,000 respectively for the financial assistance availed of by Pranay Sheetmetal Stampings Limited (PSSL) from them. An aggregate amount of Rs. 33,151,000 which was to be paid by PSSL to the banks and the financial institution, as at March 31, 2005.
- e) Other claims against the company not acknowledged as debts Rs. 43,472,887. These include:
 - i. Rs. 41,519,887 pertaining to show cause notice for payment of custom duty in respect of the value based advance licenses purchased by the company and used for import of goods. As the export obligation against the above was already fulfilled by the seller of the license, the company appealed against the said notice before the CESTAT who has granted a stay.
 - ii. Rs. 1,953,000 being other matters.
- f) Other matters for which the company is contingently liable amount to Rs. 117,687,428. This represents the dispute in the rate of water charges demanded by the irrigation department based on a unilateral increase in rates and the amount which the company has been paying. The above amount includes an initial demand raised by the irrigation department of Rs. 5,673,638 up to March 31, 1995 which was decided in favour of the company in the court of the Civil Judge, Senior Division, Panvel. The balance of Rs. 112,013,790 represents differential demands raised by the irrigation department for subsequent periods.

Litigation

Excise Cases

- i. The method of valuation, adopted by MUSCO, of customer processed finished goods for the purpose of discharge of excise duty, where the customer supplies raw material was not accepted by the excise department. The excise department issued a show cause notice which was settled in MUSCO's favour by the CESTAT. The claim amount was Rs. 6.22 million. The department has filed its appeal and the matter is pending hearing before the Supreme Court.

The department has issued a further show cause notice on the same ground for the subsequent years for a sum aggregating to Rs. 14.5 million. The matter is also pending for hearing before the Supreme Court.

- ii. The inclusion of scrap credit in the assessable value, by the department, for the purpose of payment of excise duty was challenged by MUSCO. The matter was decided in MUSCO's favour by CESTAT. The amount involved is Rs. 36.5 million. The department has filed its appeal and the matter is pending hearing before the Supreme Court.

A claims of Rs. 1.3 million on the same ground as above has also been made by the department against the MUSCO for subsequent period of assessment year 2003- 2004.

Custom Cases

A show cause notice was issued against MUSCO, in respect of value based advance licenses purchased and used for import of goods. The notice demanded payment of custom duty of Rs. 41.51 million. As the export obligation against the above was already fulfilled by the seller of the license, MUSCO appealed against the said notice with CESTAT who has granted a stay.

Tax Cases

There was a taxation demand from the assessing officer against MUSCO amounting to Rs. 16.23 million for the assessment year 2003 – 2004. This was decided in favour of MUSCO in appeal. The department has preferred an appeal against the order.

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Other matters

- i. There is a dispute in relation to the rate of water charge demanded by the irrigation department based on an unilateral increase in rates. Against the total demand of Rs 3.15 million, the company has accepted the liability for Rs. 1.2 million and the same has also been provided in the books of accounts. For the balance amount of Rs. 1.95 million, MUSCO has requested for a waiver. The matter is pending for hearing.
- ii. MUSCO has sent a legal notice dated May 13, 2005 to M/s. Choksi Tube Company Limited, Ahmedabad, for a sum of Rs. 8.68 million towards recovery of direct and indirect sale of alloy steel and difference of sales tax and interest thereon payable to Sales Tax Authorities for non-submission of Sales Tax declaration forms. The matter is pending for hearing.

Litigation Against Mahindra Gesco Developers Limited

Contingent Liabilities

MGESCO had contingent liabilities not provided for as of March 31, 2005 in relation to:

- i. a suit filed by a party, in the Delhi High Court, for recovery of brokerage in respect of a transaction relating to operating of commercial complexes. The claim made in the suit aggregates to Rs. 4,266,771.
- ii. MGESCO has filed appeals against demands, for the assessment years 2002-2003 and 2003-2004, arising primarily out of reclassification of income from business income to income from house property, which aggregates to Rs.163,762,156 and after giving effect to rectification applications, the demand raised is expected to be reduced to the amount disclosed. The amount of demand aggregates to Rs. 105,989,749.
- iii. Guarantees issued by a bank on behalf of third parties and counter guaranteed by the company, against which the company has also received counter guarantees from the respective parties. The amount involved in these guarantees aggregates to Rs. 32,062,500.

Litigation

Civil Cases

- i. Orchid, Daffodil and other Mahindra Garden Societies filed a civil suit (6863 of 2002) against MGESCO alleging issues about private garden, recreation garden, conveyance of the property in favour of the respective societies and other issues under Maharashtra Ownership Flat Act, 1963. The application was rejected by the City Civil Court. The societies have filed an appeal in the Mumbai High Court which is pending admission.
- ii. Karan Promoters Private Limited filed a case before the District Court, Delhi (case No. 408 of 2000) against MGESCO claiming that the brokerage for sale of three floors of the GE Plaza Building was not paid to them. The relief claimed by them is Rs. 4.2 million. The matter is pending for hearing.
- iii. Mahindra Realty & Infrastructure Developers Limited, whose realty and infrastructure division were demerged into MGESCO, filed a writ application (No. 3893 of 2001) against the order of the Appellate Authority for the Board for Industrial and Financial Reconstruction (BIFR), to deposit Rs. 49.6 million towards balance consideration for the purchase of Tensile Steel Limited's land at Vadodara under a BIFR Scheme. The Delhi High Court has ruled in favour of the company and has refunded the amount to it. The matter is pending for hearing.
- iv. The Employees Union filed a writ petition against Tensile Steel Limited and MGESCO in the Gujarat High Court, challenging the management's decision of terminating services of workers and non-payment of their wages and the sale of its land. The High Court has allowed the sale of land and stated that MGESCO is not concerned with the matter. MGESCO continues to be a party to the litigation as an observer.
- v. Ramila Kilachand has filed a case against Harsh Kilachand and several others (Case No. 1355 of 2004) claiming her right over certain property. MGESCO has filed a written statement stating that the property in question has been sold to it and such property should not be a subject matter of the family dispute. The matter is pending for hearing.
- vi. Yashomala CHS Limited has filed a case against the Pimpri Chinchwad Municipal Corporation objecting sanction of plan showing access from the land bearing survey no. 210/1, Wakad (actually owned by Government) to the Wakad property which is being developed by MGESCO. Pursuant to the interim order of the court the Municipal Corporation has sanctioned the plan. The matter is pending for hearing.

Criminal Cases

- i. MGESCO filed a complaint against Dhanish Construction Private Limited (Dhanish) (Case No. 824/M/2001) and its directors alleging that Dhanish misappropriated Rs 14.6 million paid to them for the purchase of land. The lower court ordered a police investigation to be carried out as per section 156(3) of the CrPC and the directors were arrested. The matter will proceed once the chargesheet is filed.
- ii. The Maharashtra Security Guard Board filed a criminal complaint (No. 183 of 98) against MRIDL (now MGESCO), Mr. Anand Mahindra, Mr. S. Narayan and Mr. Bharat N. Doshi before the Metropolitan Magistrate at Ballard Estate, Mumbai alleging that the security guard employed by MGESCO was not registered under the security guard board and hence was in violation of the Maharashtra Private Security Guards (Regulation of Employment and Welfare) Act, 1981 and the rules made there under. The Mumbai High Court has admitted the applications of Mr. Anand Mahindra and Mr. Bharat N. Doshi challenging the issuance of process and rejection of revision application, by the lower court. The case is pending for hearing.

Others

- i. The Daffodil Mahindra Garden Cooperative Housing Society Limited filed a case against the BrihanMumbai Municipal Corporation (Case No 1966 of 2002) stating that the property tax assessed by the corporation is not valid and excessive. Though MGESCO is a party to the suit, there is no monetary claim against MGESCO.
- ii. The New Great Eastern Spinning & Weaving Mills Limited has filed a reference (No. 58 of 90) under the Sick Industrial Companies Act for rehabilitation with the Appellate Authority, BIFR, Delhi. MGESCO is a party to the hearing as a developer.
- iii. Tensile Steel Limited has filed a petition No. 25/87 under Sick Industrial Companies Act in 1987 for rehabilitation before the BIFR, Delhi. MGESCO is a party to the hearing as a developer. The rehabilitation scheme has been sanctioned to allow development. The matter is pending for hearing.
- iv. MGESCO has filed a writ petition before the High Court at Mumbai (No. 1319 of 2004) seeking dismissal of the demand by the Collector of Mumbai for transfer charges in relation to the transfer of premises located at 8th floor, World Trade Centre, Mumbai from Great Eastern Shipping Limited to MGESCO. The petition has been admitted and is pending for hearing.

Litigation Against NBS International Limited

- i. A customer filed a case against NBS International Limited for non delivery of booked vehicle inspite of adequate finance by HDFC. The relief claimed is refund of amount of Rs. 111,514 along with 15% interest per annum and compensation of Rs. 545,000. The matter is pending hearing.
- ii. G.E. Countrywide instituted a case against Murtuza S. Khinkhabwalla and NBS International Limited (NBS) on August 12, 2005 alleging that NBS had not delivered the vehicle after accepting the payment. The claim is for Rs. 467,250. NBS had not received the entire amount from the first defendant and had not been approached NBS for taking possession of the vehicle. The High Court at Mumbai on September 15, 2005 passed an ad-interim order against NBS, directing the court receiver to take possession of the vehicle. The notice of motion and the suit is pending hearing.

Litigation against Mahindra Gujarat Tractor Limited (MGTL")**Contingent Liabilities**

Contingent liability not provided for in the balance sheet of Mahindra Gujarat Tractor Limited as on March 31, 2005 is Rs. 182,596,338.

- a) Excise
 - i. A demand of excise duty of Rs. 14,801,610 has been made by Commissioner of Central Excise and Customs, Vadodara on transmission assemblies / chassis assemblies used in the manufacture of tractors of less than 25 horse power, which were exempt from payment of duty, during the period April 1996 to May 1998. An appeal has been filed before the Customs, Excise and Service Tax Appellate Tribunal, Mumbai.

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- ii. A demand of excise duty of Rs. 1,074,950 on equalized freight and insurance, which is not included in assessable value. The company has replied to the show cause cum demand notice and also appeared for the hearing. The decision from Commissioner of Appeals, Vadodara is awaited.
- b) Guarantees given by the Mahindra Gujarat Tractor Limited to a financial institution for housing loans given by the financial institution to the employees of the Mahindra Gujarat Tractor Limited. These guarantees aggregate to Rs. 1,156,666.
- c) Bills discounted but not matured aggregate to Rs. 3,664,943.
- d) The Wage Agreement with the labour union had expired on March 31, 1998, a charter of demand was received in June, 1998. Subsequent to that the union had filed complaint for conciliation proceeding before Deputy Commissioner of Labour, Vadodara. The matter is pending before the Industrial Court, Vadodara since November 2001. The amount of liability, if any, is not ascertainable

Litigation

Civil Cases

- i. MGTL is defending four civil cases filed by Kantibhai Mali on the ground that the land sold to MGTL is not being used by it. One of these cases also claims to the right to pray at a temple situated on the land occupied by MGTL. Suresh Mali and M Vaghri have also filed similar cases claiming return of the land sold to MGTL after 40 years on the ground that the land sold is not being used for industrial purpose for which it was acquired. The amount involved is not quantifiable.
- ii. A suit (Special Civil Petition No.3163 of 1999) was filed by 14 co-operative societies formed by 120 erstwhile employees of Gujarat Tractor Corporation Limited, for the supply of specified services and components. These societies challenged the sell of Gujarat Tractor Corporation Limited to M&M and an interim injunction was sought to restrain the sale. No interim relief was granted by the Court and the matter is still pending for hearing on interim relief application.
- iii. The registered workers union of Gujarat Tractor Corporation Limited filed a petition (Special Civil Petition No.3024 of 1999) at the Ahmedabad High Court, opposing the deal of sell of Gujarat Tractor Corporation Limited to M&M and an interim injunction was sought against Gujarat Tractor Corporation Limited not to transfer any shares in favour of M&M. No interim relief was granted and the matter is pending for hearing.
- iv. MGTL has been issued a notice on February 7, 2006 by Vadodara Municipal Corporation demanding Rs. 1.58 million as property tax on the property given on hire purchase to four societies. High Court by its order dated February 22, 2006 has reaffirmed the demand upto the extent of Rs. 0.9 million.

Labour Cases

- i. MGTL is defending 28 cases filed by its employees/ ex-employees, before various forums including the labour court at Vadodara. The claims include wrongful termination of their employment, wrongful suspension, illegal transfer to another department, compensation for accident suffered, demanding bonus under the Payment of Bonus Act, illegal withholding of increment. The aggregate amount claimed under these labour cases is Rs. 6.33 million.
- ii. The General Kamdar Union has filed three cases before the labour court against MGTL including for not accepting the charter of demands of the union, demanding bonus and ex-gratia payment for the financial year 2000 and 2001. The matters are pending hearing before the labour court. The amount involved in these cases is unquantifiable.
- iii. MGTL is also defending three civil cases filed by its ex-employees and employees. While the ex-employees are claiming continuation of benefits inter alia of vehicle insurance post their retirement, the existing employees have claimed failure of MGTL to give loans as benefits to its employees. The sum involved in these cases is Rs. 0.54 million.

Consumer Cases

The company has 35 consumer litigations pending against it as follows:

Forum	Number of cases	Amount involved (in Rs.)
District Consumer Dispute Redressal Forum	24	9.1 million
State Consumer Dispute Redressal Forum	11	4.1 million

Litigation Against Mahindra Shubhlabh Services Limited

Contingent Liabilities

Contingent liabilities not provided for as of March 31, 2005 were in relation to a claim by one of its franchisees for loss of business claiming a sum of Rs. 1,027,325.

Litigation

- A civil suit was instituted on February 25, 2005 before the Presiding Officer, Labour Court, Jalandhar by Gurdev Mann against Mahindra Shubhlabh for non payment of salary of an amount of Rs. 0.028 million. The matter is pending for hearing.
- A consumer case is instituted on January 19, 2006 before Consumer Forum, Dindigul, Tamil Nadu by Thiru Paul Mayandi against Mahindra Shubhlabh claiming compensation for mental agony and loss of business caused due to defective services provided. The compensation aggregates to Rs. 0.52 million. The matter is pending reply.
- A summon has been received from the Special Metropolitan Magistrate, Municipal Bench Court, in the name of the directors, in their capacity as the directors of Mahindra Shubhlabh Services Limited, for the alleged violation of the provision under Section 7 of the Shops & Establishment Act for non renewal of the registration certificate of the establishment and for non-display of the same at the establishment, as required under the Shops & Establishment Act. The matter is pending for hearing.

Litigation Against Mahindra Acres Consulting Engineers Limited

Contingent Liabilities

Contingent Liabilities not provided for as of March 31, 2005 are Rs 2.7 million towards income tax exemption claimed under Section 80 (O) of the IT Act by the company for the assessment year 1997-1998.

Litigation

The Assessing Officer assessed a liability of Rs. 4.62 million against the company in respect of an exemption claimed under section 80(O) of the IT Act. The matter is pending before the ITAT.

Litigation Against Mahindra Holidays and Resorts India Limited ("MHRIL")

Contingent Liabilities

MHRIL has following contingent liabilities not provided for as of March 31, 2005:

- Receivables securitised, with recourse to claim from MHRIL aggregating to Rs. 318,915,810.
- Guarantee given to financial institution for timeshare financing aggregating to Rs. 34,235,855.
- Arrears of dividend and dividend tax on 9% redeemable cumulative preference shares outstanding for the period from July 13, 2000 to March 31, 2005 aggregating to Rs. 48,009,301.
- Claims against the company not acknowledged as debt.
 - Luxury tax claimed aggregating to Rs. 1,785,666, on room revenue by the Government and disputed by the company in the High Court. The amount has been paid to the Government and possibility of reimbursement depends on the outcome of the case pending before the High Court.
 - The demands against the company with respect to this matter and exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed is Rs. 116,013,707 (including interest of Rs. 58,051,475). However even if this liability crystallises there would be future tax benefits available on account of timing differences except for interest and income tax rate differences.

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Litigation

Consumer Related Cases

- i. MHRIL is defending eight cases before the District Consumer Forum, at different locations, filed by its customers on diverse grounds, such as, deduction of cancellation charges from the refund of membership fees; accommodation at their resort not provided when requested; clubbing of annual maintenance charges and utility charges in annual subscription fees and non enrolment in resort condominiums international. The total sum claimed in these consumer cases is Rs 192,450.
- ii. A suit was instituted against MHRIL by Sivasankar, Proprietor, Sri Valli Vilas Gold House, Pondicherry on June 16, 2003 for an amount of Rs. 25,208 before the Additional Sub-Judge at Pondicherry. The suit challenged the deduction of cancellation charges. The suit is now posted for enquiry in the application filed by the company.
- iii. A suit was instituted against MHRIL by Ashit Shipping Services Private Limited, on May 6, 2005 before the Court of Civil Judge, Senior Division, at Gandhidham. The suit was filed as the accommodation in their resorts was not provided when requested and hence the refund of membership fees was demanded. The suit is pending for filing of written statement by MHRIL.

Property Cases

A suit was instituted against MHRIL by Joanita Periera, Goa before the Civil Judge, Senior Division, Margao for encroachment on land by the company. The suit has been posted for trial.

Criminal Cases

A criminal case was filed against MHRIL by Dileep Sonthalia on June 3, 2005 before the Chief Judicial Magistrate, Hazaribaug for alleged cheating on account of non-provision of accommodation in their resort in spite of issuance of the confirmation voucher. The company filed a petition under Section 482 of the CrPC before the High Court, Ranchi for dismissing the criminal complaint. Both matters are pending for hearing.

Other Litigation

- i. A case has been filed by MHRIL against the Luxury Tax Authorities on January 28 2002, in the state of Himachal Pradesh for a sum of Rs.1.79 million before the High Court of Shimla challenging the levy of Luxury Tax on timeshare. MHRIL has filed a writ challenging the levy on the ground that Luxury Tax is not applicable on the timeshare occupancy. The case is yet to be listed.
- ii. A case was being filed against MHRIL by Rajan, an ex-employee before the Labour Court at Munnar, Kerala for reinstatement of his services in the company. The domestic enquiry was set aside and the court ordered fresh evidence. MHRIL furnished list of witnesses and fresh documents. The matter is pending for hearing.

Litigation against Mahindra Infrastructure Developers Limited

Contingent Liabilities

Mahindra Infrastructure Developers Limited had contingent liabilities not provided for, as of March 31, 2005 as follows:

- a) Contracts entered into and remaining to be executed on capital account is Rs. 7.4 million.
- b) Guarantee/Counter Guarantee given by the company in respect of joint venture companies is Rs. 90 million.

Litigation Against Mahindra World City Developers Limited ("MWCDL")

Civil Suits

Seven cases have been filed against MWCDL before the District Munsif Court, Chengalpattu seeking permanent injunction against MWCDL, the district collector and the sub-district collector and challenging the transfer of land in favour of MWCDL. The matters are pending for hearing.

Land Acquisition Cases

- i. A writ petition (W.P.No.11560/2005) has been filed by Ulaganathan, before the High Court at Chennai in July 2005 against MWCDL, State of Tamil Nadu and the Tahsildar to quash the notification of the land acquisition proceedings

(further proceedings for acquisition pending with Government) under section 3(2) of the Tamil Nadu Acquisition of Land For Industrial Purposes Act. The matter is pending for hearing.

- ii. Eleven land acquisition original petitions have been filed against the Mahindra World City Developers Limited and the Special Tahsildar before the Subordinate Court, Chengalpattu on July 2002 by individual owners of the land seeking enhancement of compensation paid for land acquired by MWCDL at the rate of Rs. 25,000 per cent on land acquired by the company. The trial is presently going on before the Subordinate Court. The amount involved in these land acquisition cases is estimated to be Rs. 45 million.
- iii. A writ petition (36236 of 2005) has been filed against MWCDL in the High Court at Chennai by the Central Bank of India, with whom the land acquired by MWCDL from Mr. Harshwardhan was mortgaged seeking enhancement under Section 18(2) of Land Acquisition Act, 1894 of compensation paid by MWCDL for the said land. The matter is pending for hearing.
- iv. A writ petition (2266 of 2006) has been filed by R. Sivasenthil Kumaran before High Court at Chennai in January 2006 against MWCDL, Tahsildar, State of Tamil Nadu to quash vacation of land acquisition proceedings. The matter is pending for hearing.
- v. A writ petition W.P.No. 1729/2006 has been filed by Rajendran before the High Court at Chennai in Jan 2006 against the State of Tamil Nadu and the Tahsildar, to quash the notification of the land acquisition proceedings under the Tamil Nadu Acquisition of Land For Industrial Purposes Act.

MWCDL, as the developer of the said property, has been impleaded as an interested party subsequent to an application filed by it. The matter is pending for hearing.

Litigation Against Mahindra Intertrade Limited

Contingent Liabilities

Mahindra Intertrade Limited (MIL) had contingent liabilities not provided for as of March 31, 2005 is as follows:

- a) Income Tax
Taxation demand against which the company has filed appeals before the Commissioner of Income Tax aggregating Rs. 22.2 million.
- b) Corporate Guarantee in relation to deferred credit facility sanctioned by Union Bank of India, Mumbai to the wholly owned subsidiary company Mahindra Middle East Electrical Steel Service Centre (FZE). The guarantee aggregates to Rs. 55.0 million.
- c) Financial guarantee in relation to bank guarantee issued by State Bank of India in favour if a supplier of raw materials of MGTL aggregating to Rs. 1.5 million.

Litigation

Income Tax Cases

MIL has filed an appeal before the ITAT against an order passed by the Commissioner of Income Tax (Appeal) for the assessment year 2001-02 on account of certain disallowances. The amount involved is Rs. 22.29 million. No date of hearing has been fixed.

Other Cases

- i. An ex employee Dilip Chaturvedi has filed a civil suit (No 135/97) against MIL for recovery of his dues and damages amounting to Rs. 265,270 before the Civil Judge, Tis Hazari Court at Delhi. The case is pending for hearing.

Mahindra Steel Service Centre Limited ("MSSCL")

Contingent Liabilities

MSSCL had contingent liabilities not provided for as of March 31, 2005:

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- a) Income Tax: Income tax demand for the assessment year 2001-02 aggregating to Rs. 0.217 million.
- b) Sales Tax: Demand raised by Sales Tax authorities for Financial year 1997-1998 is Rs. 0.476 million which is contested before the Sales Tax Tribunal.

MSSCL is involved in certain legal actions filed pursuant to sales tax and income tax demands stated above in contingent liabilities

Litigation against Mahindra SAR Transmission Private Limited

Contingent Liabilities

The details of contingent liabilities not provided for as on March 31, 2005 are (i) Bills discounted not matured - aggregating to Rs. 14 million and (ii) Pending Labour cases - amount is not ascertainable.

Litigation

Three employees of Mahindra SAR Transmission Private Limited, whose services were terminated, filed an application before the Labour Court, Rajkot for reinstatement and payment of back wages. The matter is pending for hearing.

Litigation Against Mahindra Holdings and Finance Limited ("MHFL")

Contingent Liabilities

MHFL had certain contingent liabilities not provided in its books as of March 31, 2005 for an amount of Rs. 1,808,316 in relation to income tax claims.

Litigation

Taxation Cases

MHFL has appealed before the ITAT against tax assessments of Rs 1.1 million for the financial year ending March 31, 2001 and Rs 0.2 million for the financial year ending March 31, 2000 due to non allowance of certain expenses by the Assessing Officer. The appeals have not been listed for hearing.

Civil suits

A civil suit was instituted by S. V. Deshpande and others (erstwhile employees of Roplas Limited (Roplas) before the Court of the Civil Judge, Senior Division at Pune against Roplas Limited, MHFL and others. They have claimed: a) an amount of Rs. 2.4 million; b) that the voluntary retirement scheme of Roplas dated March 25, 2001 should be declared as null and void and that they be granted the benefits of the voluntary retirement scheme dated August 2, 2000; and c) Roplas be restrained from winding up business operations till the suit is decided. The allegation against MHFL is that it took over the operations of Roplas after its closure. The matter is pending for hearing.

Litigation Against Mahindra AshTech Limited

Contingent Liabilities

Mahindra AshTech Limited has contingent liabilities not provided for as of March 31, 2005 in relation to claims of

- a) Liquidated Damages/Penalty in relation to projects and contracts undertaken by Mahindra AshTech Limited aggregating to Rs. 76.9 million.
- b) Sales Tax claims aggregating to Rs. 0.375 million.
- c) Income-tax claims for assessment year 2001-02 aggregating to Rs. 7.3 million.

Default by Mahindra AshTech Limited

Mahindra AshTech Limited has defaulted in payment of dividend on preference shares in years 2003, 2004 and 2005. The amount of such outstanding dividend aggregates Rs. 21.7 million.

Litigation

The Assessing Officer assessed Mahindra AshTech Limited's liability to pay sales tax for an amount of Rs. 374,741.6 in

respect of sale in transit under section 6(2) of the Sales Tax Act on materials supplied to one of the company's projects. The case is presently pending before Assistant Commissioner (Trade Tax), Rae Bareli.

Litigation against Mahindra Engineering & Chemical Products Limited ("MECPL")

Contingent Liabilities

The contingent liabilities of MECPL not provided for as of March 31, 2005 are as follows:-

- a. Excise matters pending in appeal aggregating to Rs. 0.6 million.
- b. Income Tax matters aggregating to Rs 2.02 million.
- c. Sales Tax matters aggregating to Rs. 0.67 million.
- d. Labour cases as described below aggregating to Rs. 8.98 million.

Litigation

Labour Related Suits

- i. MECPL is defending two cases filed by its employees before the Labour Court at Pune, in relation to the voluntary retirement schemes. The amounts involved in the two cases are Rs. 6.46 million and Rs. 2.50 million respectively. The matter is pending for hearing.
- ii. A case was filed against MECPL before the Labour Court at Pune, on account of leave encashment. The amount involved is Rs. 25,274.50. The matter is pending for hearing.
- iii. S. R. Charles filed a suit before the Labour Court at Pune against MECPL on November 27, 2003 while K Raju filed a suit before the High Court of Mumbai on June 6, 2003 in relation to the termination of their employment by the company seeking reinstatement and payment of all back wages. The matter of S.R. Charles is pending for hearing. The matter of K Raju has not been taken up for hearing.

Income Tax Cases

- i. MECPL has filed appeals before the Commissioner of Income Tax (Appeals II), against orders passed by the Assessing Officer for the assessment year 2000-2001 and for the assessment year 2002-2003 on account of certain disallowances. The amounts involved are Rs. 1.2 million and Rs 0.8 million respectively. No date for hearing has been fixed.

Sales Tax and Excise Related Suits

- i. A case has been filed by the sales tax authorities against MECPL on November 17, 2003 before the Maharashtra, Sales Tax Tribunal, at Pune, on account of sales tax rate difference. The amount involved in the case is Rs. 0.67 million. The tribunal has passed an order against MECPL. MECPL shall be appealing against the order of the tribunal.
- ii. A case has been filed by the excise tax authorities against MECPL on November 30, 1992 before the CESTAT on account of differential duty. The amount involved in the case is Rs. 0.6 million. The case is pending for hearing.

Litigation Against Automart Limited

Civil Suits

- i. A suit was filed by the Delhi Development Authority against a director of the company before the Metropolitan Magistrate, New Delhi alleging that the showroom of the company at Okhla, Delhi is being used for commercial purposes whereas the same has been allotted for the purpose of industrial use as per the master plan of the Delhi Development Authority. The penalty involved was Rs. 5000 and Rs. 250 for every day of which the default continues. The matter is pending for hearing.

Consumer Cases

- i. Three cases have been filed against Automart before the Consumer Redressal Forum on the grounds of overcharging against the insurance declared value of the vehicle; sale of an older vehicle as against a declared fact and non supply of receipt of original transfer documents from the company. The total sum calmed under these cases is Rs 942,500. The cases are pending hearing.

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Litigation Against Bristlecone Inc.

The company received a notice on September 16, 2005 from the US Equal Employment Opportunity Commission for dismissal of an employee, Derrick H. Buckhalter on the charge of discrimination. The case is pending before the US Equal Employment Opportunity Commission.

Litigation Against Bristlecone India Limited

Contingent Liabilities

The contingent liability of Bristlecone India Limited not provided for as of March 31, 2005 aggregating to Rs. 3.9 million in relation to outstanding bank guarantee.

Litigation Against Mahindra Logisoft Business Solutions Limited

Contingent Liabilities

The contingent liabilities not provided for as of March 31, 2005 are as follow

- a) Suit filed by two employees before the Deputy Commissioner Labour (Appeals), Chennai for reinstatement. The total amount claimed by employees is Rs. 1,084,253;
- b) An arrears of cumulative dividend on Preference shares Rs. 2,262,328.

Litigation

Mahindra Logisoft Business Solutions Limited had filed two appeals on May 2, 2005 before the High Court of Judicature at Chennai (Special Original Jurisdiction), to stay the orders of the Deputy Commissioner of Labour (Appellate Authority, Chennai) setting aside orders of termination of two former employees, M. Balasubramanian and S.N Karmegam. The employees had claimed compensation of Rs 551,667 and Rs. 463,400, respectively (for the period from July 2003 to May 2005). Mahindra Logisoft Business Solutions Limited has deposited the disputed amount with the court. The matter is pending for hearing.

Litigation Against Tech Mahindra Limited (Formerly Mahindra-British Telecom Limited)

Contingent Liabilities

Tech Mahindra Limited had the following contingent liabilities for which it had not provided for as of March 31, 2005 in relation to the following claims:-

- a) Income Tax
 - i. demand for corporate tax for the assessment year 1998-1999 aggregating to Rs. 17,117,248;
 - ii. demand for tax deducted at source for the assessment year 1999-2000 aggregating to Rs. 44,806,504;
 - iii. demand for corporate tax for the assessment year 1999-2000 aggregating to Rs. 13,514,013;
 - iv. demand for corporate tax for the assessment year 2000-2001 aggregating to Rs. 12,024,891.

Litigation

Income Tax Related Suits

Tech Mahindra Limited had filed appeals before the ITAT against assessment of corporate tax for the Financial Year 1997-98; 1999-2000 and 2000- 2001 for amount of Rs. 17.11 million; Rs. 13.51 million and Rs. 12.02 million respectively. The assessing officer disallowed claim under section 88 HHE of IT Act in relation to software expenses and income from software maintenance. Tech Mahindra Limited has contended that ITAT has decided in an earlier case on similar facts in its favour, further maintenance income is similar to development income and hence should be allowed under Section 88HHE. The appeal is pending before the income tax tribunal.

Labour Related Suit

Shabib Kadri an employee of Tech Mahindra Limited filed before the civil court at Ahmedabad, a suit against Tech Mahindra Limited, for recovery of Rs. 300,000 as compensation in respect of revocation of employment letter. The matter is pending for hearing.

Litigation Against Tech Mahindra (Americas) Inc. (Formerly Mahindra British Telecom International Incorporated)

An ex-employee of the, Tech Mahindra (Americas) Inc. has filed a civil action in the appropriate court of United States alleging wrongful termination of his services. He has, inter alia, sought reinstatement, back wages and compensation. Tech Mahindra (Americas) Inc's reply is scheduled to be filed.

Litigation Against Tech Mahindra (R&D Services) Limited (Formerly Axes Technologies (India) Private Limited)

Tech Mahindra (R&D Services) Limited has filed an appeal before the Employees Provident Fund Appellate Tribunal from an order by regional provident fund commissioner, Bangalore against it levying penalty and penal interest amounting to Rs 1.5 million, alleging delay in transfer of subscribers' contributions. The matter is pending hearing and final disposal.

Litigation Against Mahindra Sona Limited***Contingent Liabilities***

Mahindra Sona Limited had contingent liabilities of Rs. 89,927,353 not provided for, as of March 31, 2005 in its books in relation to:

- i. *Income tax cases:* For a sum of Rs. 89,500,000 (including interest upto March 31, 2005 of Rs. 50,700,000) in respect of proportionate depreciation not allowed in an earlier year, on the assets of the automotive component business acquired by the company. Mahindra Sona Limited is in the process of filing an appeal against the demand.
- ii. *Excise cases:* In respect of excise claims against the company not acknowledged as debts Rs. 427,353.

Litigation Against Mahindra & Mahindra Contech Limited***Contingent Liabilities***

Mahindra & Mahindra Contech Limited had contingent liabilities not provided for as of March 31, 2005 for a sum of Rs. 18,748,806 in relation to services tax demands.

Litigation

Mahindra & Mahindra Contech Limited was assessed for an amount of Rs. 18.75 million (inclusive of penalty Rs. 9,374,403) as service tax on services rendered as deputation service. The Deputy Commissioner of Central Excise ruled against Mahindra & Mahindra Contech Limited. Mahindra & Mahindra Contech Limited has preferred an appeal, which is pending before the CESTAT. In the hearing held on November 28, 2005, the Tribunal granted a stay. The matter is pending for hearing.

Litigation Against Plexion Technologies (India) Private Limited***Contingent Liabilities***

Plexion Technologies (India) Private Limited had contingent liabilities not provided for as of March 31, 2005 in relation to

- a) Guarantee in favour of Customs Authorities, Bangalore for a value of Rs.3.104 million issued on March 31, 2005.
- b) Capital commitments as at the end of the year not provided in the books amounting to Rs. 0.317 million.

REGULATORY AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Prospectus.

Approvals for the Issue

1. We had filed an application with the FIPB vide our letter dated November 18, 2005, seeking approval for issue and transfer of Equity Shares in this Issue to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. The FIPB has, vide its letter No. FC.II.:27(2006)/353(2005) dated January 19, 2006 conveyed its approval for the fresh issue of up to 15 million Equity Shares and transfer of up to 10 million Equity Shares held by the Selling Shareholders to eligible non-residents including FIIs, NRIs, FVCIs and multilateral and bilateral development financial institutions in an initial public offer on a repatriation basis at an issue price discovered through the SEBI regulated process of book building, subject, inter alia, to the minimum capitalization norms for FDI in the NBFC sector.
2. We had applied for approval from the RBI pursuant to our letter dated November 24, 2005 for issue/ transfer of Equity Shares to eligible non-residents including FIIs, NRIs, FVCIs and multilateral and bilateral development financial institutions in the Issue, on a repatriation basis at an issue price discovered through the SEBI regulated process of book building. The RBI has, vide its letter no. FE.CO.PID/17321/10.21.031/2005/2006 dated February 8, 2006 granted approval for such issue/transfer of Equity Shares.

Approvals for our business

We have received the following significant regulatory and other approvals pertaining to our business:

1. A certificate of registration no. 13.00996 dated September 4, 1998 to carry on the business of a NBFC from the RBI in terms of section 45IA of the Reserve Bank of India Act, 1934.
It must be distinctly understood, however, that in issuing this certificate of registration, the RBI does not undertake any responsibility for our financial soundness or for the correction of any of the statement made or any commitment made or opinions expressed.
2. RBI Permission vide letter dated November 11, 2005 bearing number DNBS.CO.CMD-II.No.1597/ 11.64.13.005/ 2005-6 to undertake mutual fund distribution in rural and semi-urban areas with non risk participation, subject to conditions stated therein.
3. A certificate of registration no. ARN – 30156 dated August 5, 2005 from the Association of Mutual Funds in Indian as an AMFI registered Mutual Fund Advisor.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

From us:

The Board of Directors has, pursuant to a resolution passed at its meeting held on October 27, 2005, authorised the Issue.

Our shareholders have authorised the Issue vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on December 9, 2005.

From M&M

The board of directors of M&M at its meeting held on October 26, 2005 approved the Offer for Sale of up to 10,000,000 Equity Shares. Pursuant to the response from the other Selling Shareholders in respect of the invitation to participate in the Offer for Sale, M&M shall offer 9,991,450 Equity Shares as part of the Offer for Sale.

From the other Selling Shareholders

Pursuant to letters dated November 10, 2005 and December 21, 2005, we invited our shareholders to participate in the Offer for Sale. Each shareholder who has agreed to participate in the Offer for Sale, other than M&M, has sent a letter of acceptance addressed to the Company. The Selling Shareholders, other than M&M have deposited 8,550 Equity Shares to be sold by them in the escrow account opened with Karvy Computershare Private Limited for this purpose.

The Offer for Sale consists 10,000,000 Equity Shares

The Selling Shareholders, other than M&M, assume no responsibility for any of the statements made by the Company in this Prospectus relating to the Company, its business and related disclosures, except statements with relation to each of them as Selling Shareholders.

Prohibition by SEBI

Our Company, our Directors, our Promoter, Directors/ persons in control of our promoter, our subsidiaries and affiliates, and companies with which our Directors are associated with as directors or promoters, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI. Further, based on the letters provided by the Selling Shareholders, we understand that Selling Shareholders have not been prohibited from dealing in the securities market and the Equity Shares being offered for sale by them are free from encumbrances.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- We have a pre-Issue net worth of not less than Rs. 10 million in each of the three preceding full years;
- We have not changed our name during the last one year.
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2005;

The distributable profits as per Section 205 of the Companies Act and net worth for the last five Fiscals as per our restated unconsolidated financial statements are as under:

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(Rs. in million)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Distributable Profits ⁽¹⁾	125.6	268.0	441.8	650.9	822.7
Net Worth ⁽²⁾	1,542.9	1,745.2	2,058.0	2,517.4	3,555.8
Net Tangible Assets ⁽³⁾	1,414.3	1,553.5	1,795.2	2,205.0	3,186.6
Monetary Assets ⁽⁴⁾	328.6	453.0	435.8	763.0	660.7
Monetary Assets as a % of Net Tangible Assets	23.2%	29.2%	24.3%	34.6%	20.7%

- (1) Distributable profits have been defined in terms of section 205 of the Companies Act.
- (2) Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.
- (3) Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.
- (4) Monetary assets comprise cash and bank balances.

Further, the Issue is subject to the fulfilment of the following conditions as required under clause 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended:

- A minimum of 2 million securities (excluding reservations, firm allotment and promoters' contribution) will be offered to the public;
- The size of the Issue, i.e. the Issue Price multiplied by the number of securities offered to the public, will be the minimum of Rs. 1,000 million;
- The Issue is being made through the book building method with allocation of 60% of the Issue size to the QIBs as defined under the SEBI Guidelines.

We undertake that the number of allottees, i.e., Persons receiving Allotment in the Issue shall be at least 1,000, otherwise, the entire application money will be refunded forthwith. Further, if at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. In case of delay, if any, in refund, our Selling Shareholders and our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Our Company, the Promoter and the Promoter Group companies are not defined as wilful defaulters by the RBI/ GoI authorities and there are no violations of securities laws committed by them in the past or pending against them. No penalty has been imposed by SEBI and other regulatory bodies against the Company, the Directors, the Promoter and the Promoter group companies.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND ABN AMRO SECURITIES (INDIA) PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE

EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND ABN AMRO SECURITIES (INDIA) PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JANUARY 9, 2006, IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

“WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

WE COFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THE SECURITIES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION, SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BAORD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.”

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE HAVE BEEN COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Disclaimer from our Company, the Selling Shareholders and the BRLMs

Our Company, our Directors, the Selling Shareholders and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.mahindrafinance.com, would be doing so at his or her own risk.

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Caution

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs, M&M as a Selling Shareholder and us dated January 5, 2006 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholders and us.

All information shall be made available by the BRLMs and us to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families ("HUFs"), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted Non Residents, including Eligible NRIs and FIIs.

This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any jurisdiction other than India or and to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Accordingly, the Equity Shares are being offered or sold in the United States only to (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the U.S. Securities Act of 1933 (the "U.S. Securities Act") and "Institutional Accredited Investors" as defined in Regulation D under the U.S. Securities Act and who are also "Qualified Purchasers" as defined under the U.S. Investment Company Act of 1940 and related rules (the "U.S. Investment Company Act") and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has vide its letter no. NSE/LIST/19933-R dated January 24, 2006, given permission to us to use NSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which the securities of the Company are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any of the securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. The BSE has, vide its letter no. List/sdm/sm/ps/2006 dated January 24, 2006, given permission to the Company to use BSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

The BSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
2. warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by the BSE.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered for registration to the RoC and a copy of this Prospectus required to be filed under Section 60 of the Companies Act has been delivered for registration with RoC at 100, Everest, Marine Drive, Mumbai, Maharashtra – 400 002, India.

Listing

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares. The NSE shall be the Designated Stock Exchange.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, the Selling Shareholders and we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholders become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Selling Shareholders and we shall, on and from expiry of 8 days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Selling Shareholders and we, with the assistance of the BRLMs, shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

Our debentures are listed on the wholesale debt market segment of the BSE.

Consents

Consents in writing of: (a) the Directors, the Compliance Officer, the Auditors, Legal Advisors, and (b) BRLMs, Syndicate Members, Escrow Collection Bankers and Bankers to the Issue and the Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus and the Prospectus with the Registrar of Companies, Maharashtra located at Mumbai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

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B.K Khare & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, advertising and marketing expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Estimated Expenses (Rs. in million)
Lead management, underwriting and selling commission	Rs. 64
Advertisement and marketing expenses	Rs. 76
Printing, stationery including transportation of the same	Rs. 40
Others (Registrar's fees, Legal fees, listing fees, etc.)	Rs. 64
Total estimated Issue expenses	Rs. 244

Other than listing fees, which will be paid by us, all expenses with respect to the Issue will be shared between the Selling Shareholders and us on a pro rata basis.

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable by us and the Selling Shareholders to the BRLMs and Syndicate Members, including brokerage and selling commission for the Issue, will be as per the engagement letter dated January 2, 2006, a copy of which is available for inspection at our corporate office.

Fees Payable to the Registrar to the Issue

The fees payable by us and the Selling Shareholders to the Registrar to the Issue will be as per the Memorandum of Understanding to be signed between the Registrar to the Issue, us and the Selling Shareholders dated January 16, 2006, a copy of which is available for inspection at our corporate office.

The Registrar to the Issue shall be re-imbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue by us and the Selling Shareholders to enable them to send refund orders or Allotment advice by registered post.

Particulars regarding Public or Rights Issues during the Last Five Years

We have not made any public issue of Equity Shares. However, we have made rights issues, details of which are given in the section titled "Capital Structure" on page 16 of this Prospectus.

Outstanding Debenture or Bond Issues

Our debentures are listed on the wholesale debt market segment of the BSE. We have not made any public issue of debentures or bonds. Our secured debentures outstanding as on December 31, 2005 were as follows:

Series No.	Rate (% p.a.)	Amount (Rs. in million)	Date of Redemption Date	Earliest Allotment (from date of allotment)
Series OO	6.90	250	July 4, 2003	36 months
Series OR	6.90	250	July 8, 2003	36 months
Series OY	6.90	500	August 5, 2003	36 months
Series PJ	NMBR+1.60	250	August 27, 2003	36 months
Series QI-1	6.21	250	October 10, 2003	1096 days
Series QI-2	NMBR+1.50	250	October 10, 2003	1096 days
Series QV	NMBR+1.55	250	November 7, 2003	1096 days
Series RT	MBR+1.65	250	January 1, 2004	1096 days
Series RU-1	MBR+1.45	150	January 7, 2004	912 days
Series SP	NMBR+1.40	250	March 1, 2004	771 days
Series SW	NMBR+1.45	100	March 24, 2004	741 days
Series SX	NSE MBR+1.30	150	March 26, 2004	731 days
Series TG-I	6.20	500	April 16, 2004	1094 days
Series TG-II	NMBR+1.50	750	April 16, 2004	1094 days
Series TH	NMBR+1.25	250	April 16, 2004	730 days
Series TI	NMBR+1.50	100	April 19, 2004	1106 days
Series TJ	6.20	250	April 20, 2004	1105 days
Series TL	NMBR+1.05	500	April 29, 2004	730 days
Series TN	NMBR+1.25	500	May 3, 2004	1095 days
Series TR-1	GoI Sec + 0.80	600	June 28, 2004	1095 days
Series TT	6.30	250	July 7, 2004	1094 days
Series TZ	GoI Sec + 0.90	500	July 7, 2004	1095 days
Series UC	NMBR+1.05	400	July 28, 2004	915 days
Series UD	GoI Sec + 0.80	250	July 28, 2004	1097 days
Series UE	GoI Sec + 0.80	500	July 30, 2004	1095 days
Series UF	GoI Sec + 0.70	250	August 3, 2004	1095 days
Series VL	MIBOR+0.85	250	December 8, 2004	2 years
Series VK-1	MIBOR+0.85	100	December 13, 2004	732 days
Series VK-2	MIBOR+0.85	250	December 15, 2004	732 days
Series VK-3	MIBOR+0.85	150	December 15, 2004	732 days
Series VK-4	MIBOR+0.85	500	December 17, 2004	730 days
Series VR	MIBOR+0.75	500	December 23, 2004	3 years
Series VW-1	GoI Sec + 0.55	500	January 12, 2005	3 years
Series VW-2	GoI Sec + 0.55	250	January 12, 2005	3 years
Series VX	GoI Sec + 0.55	250	January 13, 2005	3 years
Series VY	GoI Sec + 0.55	250	January 17, 2005	3 years
Series EJ2005-1	12.32% p.a. minus Overnight NSE Mibor	250	April 27, 2005	730 days
Series EJ2005-2	12.32% p.a. minus Overnight NSE Mibor	250	April 27, 2005	730 days

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Series No.	Rate (% p.a.)	Amount (Rs. in million)	Date of Redemption Date	Earliest Allotment (from date of allotment)
Series EJ2005-3	12.32% p.a. minus Overnight NSE Mibor	250	April 27, 2005	730 days
Series EJ2005-4	12.32% p.a. minus Overnight NSE Mibor	250	April 27, 2005	730 days
Series EK2005	7.00%	1500	May 16, 2005	1096 days
Series EL2005	12.40% p.a. minus Overnight NSE Mibor; 12.65% p.a. minus Overnight NSE Mibor; 12.90% p.a. minus Overnight NSE Mibor	500	May 24, 2005	1096 days
Series EM2005	12.65% p.a. minus Overnight NSE Mibor	500	May 24, 2005	1096 days
Series EN2005	6.50%	500	May 24, 2005	692 days
SeriesEO2005	12.60% p.a. minus Overnight NSE Mibor	200	June 15, 2005	1096 days
Series EP2005	1 year GOISEC + 30 bps (First Reset @ 5.97%)	500	June 14, 2005	1096 days
Series EV2005	5 yr GOI - 1yr GOI + 5.55	250	August 24, 2005	1096 days
Series EV2005	5 yr GOI - 1yr GOI + 5.55	500	August 24, 2005	1096 days
Series EW2005	7.65 + 1 yr GOI - 5 yr GOI	250	August 24, 2005	1096 days
Series ER2005	6.90	250	October 20, 2005	1096 days
Series ER2005	6.90	250	October 20, 2005	1096 days
Series GI2005	6.70	300	October 28, 2005	595 days
Series GS2005	7.05	1000	November 10, 2005	914 days
Series GW2005	7.05	100	November 11, 2005	913 days
Series GW2005	7.05	100	November 11, 2005	913 days
Series GW2005	7.05	50	November 11, 2005	913 days
Series GX2005	6.65	500	November 16, 2005	546 days
Series HR2005	6.85	190	November 29, 2005	553 days
Series HL2005	6.65	100	December 2, 2005	549 days
Series HV2005	7.10	1000	December 6, 2005	370 days
Series IC2005	MIBOR+1.3	250	December 8, 2005	579 days
Series IE2005	7.15	200	December 15, 2005	634 days
Series IM2005	7.00	500	December 29, 2005	579 days
Total		21,990		

Our unsecured debentures outstanding as on December 31, 2005 were as follows:

Series No.	Rate (% p.a.)	Amount (Rs. in million)	Date of allotment	Earliest Redemption Date (from date of allotment)
Series GO2005	MIBOR + 0.40	100	November 7, 2005	88 days
Series HD2005	MIBOR + 0.50	100	November 17, 2005	89 days
Series HQ2005	MIBOR + 0.50	200	November 28, 2005	88 days
Series HU2005	6.55	50	December 2, 2005	89 days
Series HW2005	6.70	250	December 5, 2005	88 days
Series HX2005	6.70	250	December 6, 2005	87 days
Series HZ2005	6.75	250	December 7, 2005	79 days
Series IA2005	6.70	250	December 7, 2005	77 days
Series IB2005	6.70	250	December 6, 2005	80 days
Series IF2005	MIBOR + 0.75	100	December 19, 2005	88 days
Series IJ2005	MIBOR + 1.00	250	December 21, 2005	89 days
Total		2,050		

Preference Shares Issues

As of December 31, 2005, our preference share capital was as follows:

Date/Year of Allotment	No. of shares	Amount (Rs. in million)	Rate	Redemption (from date of allotment)
August 25, 2004	2,500,000	250	6.9%	36 months
October 28, 2004	2,500,000	250	6.9%	36 months*
Total	5,000,000	500		

* Put/call option at the end of 24 months from the date of allotment

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash, except as mentioned in the Notes to Capital Structure under section titled "Capital Structure" on page 16 of this Prospectus.

Commission and Brokerage paid on Previous Issues of our Equity Shares

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Companies under the same management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than our subsidiary, Promoter and Promoter Group companies, details of which are provided in the sections titled "History and Corporate Matters" on page 63, "Our Promoter on page 79 and "Our Promoter Group" on page 82 of this Prospectus.

Stock Market Data for our Equity Shares

Since this being an initial public offering of our Company, the Equity Shares are not listed on any stock exchange.

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Performance Vs Projections for listed ventures of the Promoters

We have three listed companies in the Promoter group i.e. M&M, Mahindra Ugine Steel Company Limited and the Mahindra GESCO Developers Limited. None of these companies have made a public or rights issue of equity shares in the last three years where projections were mentioned. For further details, please refer to section titled “Our Promoter” on page 79 of this Prospectus and section titled “Our Promoter Group” on page 82 of this Prospectus.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue, the Selling Shareholders and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant number and beneficiary account number, and the bank branch or bidding center where the application was submitted.

Disposal of Investor Grievances

We and the Selling Shareholders estimate that the average time required by us, the Selling Shareholders or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Selling Shareholders and we will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholders have appointed Mr. V. Ravi, Chief Financial Officer, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. V. Ravi

Sadhana House, 2nd floor,
Behind Mahindra Towers,
570, P. B. Marg, Worli,
Mumbai - 400 018
Maharashtra, India
Tel: 91 22 5652 6000
Fax: 91 22 24972741
E-mail: ravi.v@mahindra.com
Website: www.mahindrafinance.com

Changes in Auditors

There have been no changes of the auditors in the last three years.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits since our incorporation except by way of an issue of bonus shares. For details, please refer to the Notes to Capital Structure under section titled “Capital Structure” on page 16 of this Prospectus.

Revaluation of Assets

We have not revalued our assets since inception.

SECTION VIII: ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advice and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to the laws as applicable, guidelines, notifications and regulations relating to the issue of equity capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, the RoC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank pari passu in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For a description of our Articles of Association, please refer to “Main Provisions of our Articles of Association” on page 271 of this Prospectus.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. 200.0 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, regulations, rules and guidelines and the Memorandum and Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of our Articles of Association of the Company dealing with voting rights, dividend, forfeiture, surrender and lien, transfer and transmission and/ or consolidation / splitting, please refer to “Main Provisions of our Articles of Association” on page 271 of this Prospectus.

Market Lot and Trading Lot

Under existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of one Equity Share subject to a minimum allotment of 35 Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of

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the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or at the registrar and transfer agent of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicants would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

The requirement of minimum subscription is not applicable to the Offer for Sale.

Further, in accordance with clause 2.2.2 A of the SEBI Guidelines, we and the Selling Shareholders shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

In case of under- subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by the Company on behalf of the Selling Shareholders with respect to refunds, interest for delays etc for the Equity Shares being offered through the Offer for sale, will be reimbursed by the Selling Shareholders to the Company.

ISSUE STRUCTURE

Public Issue of 20,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. 200.0 per Equity Share aggregating Rs. 4,000 million, comprising a Fresh Issue of 10,000,000 Equity Shares by the Company and an Offer for Sale of 10,000,000 Equity Shares each by the Selling Shareholders. The Issue will constitute 23.26% of the fully diluted post issue paid-up capital of the Company.

The Issue is being made through the book building process.

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares ⁽¹⁾	12,000,000 Equity Shares	At least 2,000,000 Equity Shares	At least 6,000,000 Equity Shares
Percentage of Issue size available for allocation	60% to QIBs of which, 5% will be available for allocation to Mutual Funds and the remaining QIB portion shall be available for allocation to the QIB bidders including Mutual Funds	At least 10% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders	At least 30% of Issue or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	35 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue, subject to applicable limits	Such number of Equity Shares not exceeding the size of the Issue subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Bid Lot	In multiples of 35 Equity Shares	In multiples of 35 Equity Shares	In multiples of 35 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply ⁽²⁾	Public Financial Institutions, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations and insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts.	Resident Indian individuals, HUF (in the name of Karta) and Eligible NRIs.

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	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Terms of Payment	Margin Amount of at least 10% at the time of submission of Bid cum Application Form to the members of the Syndicate	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate

(1) Subject to valid Bids being received at or above the Issue Price. Except to the extent of QIBs subscribing to 60% of the Issue, under-subscription, if any, in any other category, would be allowed to be met with spill over from any other categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange.

(2) In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Withdrawal of the Issue

We and the Selling Shareholders, in consultation with the BRLMs, reserve the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason.

Bid/Issue Programme

BID/ISSUE OPENED ON	:	TUESDAY, FEBRUARY 21, 2006
BID/ISSUE CLOSED ON	:	FRIDAY, FEBRUARY 24, 2006

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/ Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/ Issue Closing Date.

We reserve the right to revise the Price Band during the Bidding/ Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and at the terminals of the Syndicate Members.

ISSUE PROCEDURE

Book Building Procedure

This Issue is being made through the 100% Book Building Process wherein 60% of the Issue shall be available for allocation on a proportionate basis to QIB, including up to 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, atleast 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and atleast 10% of the issue shall be allocated on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through a member of the Syndicate. QIB Bids can be submitted only through Syndicate members. In the case of QIB Bidders, the BRLMs may reject any Bid at the time of acceptance of the Bid cum Application Form, provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Bids would be rejected only on technical reasons.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form, bearing the stamp of a member of the Syndicate for the purpose making a Bid in terms of this Prospectus. The Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the Allocation of Equity Shares, dispatch of CAN and filing of the Prospectus with the RoC, the Bid cum Application form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, including Eligible NRIs, FVCIs and FIIs, applying on a repatriation basis	Blue

Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. Hindu undivided families or HUFs, in the individual names of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of First or Sole bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta." Bids from HUFs will be considered at par with those from individuals;
3. Eligible NRIs, on a repatriation basis or a non-repatriation basis;
4. Companies, bodies corporate authorized to invest in Equity Shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in Equity Shares;
6. Scientific and/or industrial research organizations in India authorized under their constitution to invest in equity shares; and
7. Indian financial institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);

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8. Mutual Funds;
9. FIIs registered with SEBI, on a repatriation basis;
10. Multilateral and bilateral development financial institutions;
11. Venture Capital Funds registered with SEBI;
12. Foreign Venture Capital Investors registered with SEBI;
13. State industrial development corporations;
14. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
15. Provident funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares; and
16. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares.

As per existing regulations, OCBs cannot Bid in the Issue.

Note: The BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations.

Bidders are advised to ensure that any single Bid from them does not exceed the investments limits or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.

In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:

Bid cum Application forms by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which bid is being made. No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

In terms of SEBI Guidelines, 5% of the QIB Portion (i.e. 600,000 Equity Shares) shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% share of the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid up equity capital of the Company (i.e. 10% of 86,000,525 Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total paid up capital or 5% of our total paid up capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of its total paid up equity capital. However, the Board and shareholders by way of a special resolution may approve FII investment up to the applicable sectoral cap. The applicable cap for the NBFC sector is 100%, hence the Board and the shareholders may approve FII investment up to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended an FII or its sub-account may issue, deal or hold, off shore derivative instruments such as participatory notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment, subject to 'know your client' requirements. An FII or a sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any other person other than a regulated entity.

In accordance with the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

The above information is given for the benefit of the Bidders. We, the Selling Shareholders and the BRLMs are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders

The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter, so as to ensure that the Bid Amount (including revision of Bids, if any) payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIB Bidders

The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid amount reduces to Rs. 100,000 or less due to a revision in the Bids or a revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation in the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed the option of bidding at the Cut-off Price.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Red Herring Prospectus and the Prospectus.

Information for the Bidders

1. The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
4. Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorized agent(s) to register their Bids.
5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

1. The Syndicate Members shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
2. Our Company and the BRLMs shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus filed with RoC and publish the same in three widely circulated newspapers

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(one each in English, Hindi and Marathi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period (in accordance with the terms of the Syndicate Agreement).

3. During the Bidding/Issue Period, investors who are interested in subscribing to our Equity Shares should approach the members of Syndicate or their authorized agents to register their Bid.
4. Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details, please refer to the paragraph titled "Bids at Different Price Levels" on page 252 of this Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
5. The Bidder cannot Bid on another Bid cum Application Form after Bid(s) on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page 255 of this Prospectus.
6. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page 253 of this Prospectus.
8. During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 170 to Rs. 200 per Equity Share, Rs. 170 being the floor of the Price Band and Rs. 200 being the cap of the Price Band. The Bidders can Bid at any price within the Price Band, in multiples of Re. 1.
2. In accordance with the SEBI Guidelines, we and the Selling Shareholders, in consultation with the BRLMs, can revise the Price Band during the Bidding/ Issue Period, in which case the Bidding/Issue Period shall be extended further for a period of three additional working days, subject to the total Bidding/Issue Period being a maximum of 10 working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English, Hindi and Marathi), and also by indicating the change on the website of the BRLMs and at the terminals of the members of the Syndicate.
4. We and the Selling Shareholders, in consultation with the BRLMs, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. The Bidder has to Bid for the desired number of Equity Shares at a specific price. The Bidder can Bid at any price within the Price Band in multiples of Re.1. Retail Individual Bidders may Bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

6. Retail Individual Bidders who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Refund Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs.100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 35 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

We, the Selling Shareholders and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the Bid Amount/ Margin Amount from Bidders in a certain category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of this Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Accounts to the Public Issue Account and the Refund Account as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established between us, the Selling Shareholders, the BRLMs, the Syndicate Members, the Escrow Collection Banks(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder, shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph "Payment Instructions" on page 260 of this Prospectus) and submit the same to a member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash/stock investment/money order shall not be accepted. The maximum Bid Amount has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amount after transfer to the Public Issue Account of the Company shall be transferred to the Refund Account. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding,

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if any, after adjustment for allotment, to the Bidders, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 247 of this Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the Syndicate Members by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city, where a stock exchange is located in India and where Bids are being accepted.
2. NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor;
 - Investor category –Individual, Corporate, QIBs, Eligible NRI, FII or Mutual Fund, etc;
 - Numbers of Equity Shares bid for;
 - Bid price;
 - Bid cum Application Form number;
 - Whether Margin Amount/ Bid Amount has been paid upon submission of Bid cum Application Form; and
 - Depository participant identification number and client identification number of the beneficiary account of the Bidder.
5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
7. In case of QIB bidders, members of the syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 262 of this Prospectus.
8. It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various

statutory and other requirements by our Company or the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, the Promoter, the management or any scheme or project of our Company.

9. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by NSE or BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on NSE and BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to NSE or BSE mainframe on a regular basis in accordance with market practice.
2. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
3. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
4. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
5. The Bidder can make this revision any number of times during the Bidding/ Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
6. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
7. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
8. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In the event of discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Company in consultation with the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLMs shall analyse the demand generated at various price levels and discuss pricing strategy with us.
2. We and the Selling Shareholders, in consultation with the BRLMs, shall finalize the "Issue Price" (and the number of Equity Shares to be allocated in each investor category).
3. The allocation for QIBs for 60% of the Issue would be on a proportionate basis (with a minimum 5% allocation of the QIB Portion reserved for Mutual Funds, and such Mutual Funds can participate in the remaining allocation for QIBs), in consultation with the Designated Stock Exchange subject to valid Bids being received at or above the Issue Price, in the manner as described in the paragraph titled "Basis of Allotment" on page 263 of this Prospectus.

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The allocation to Non-Institutional Bidders and Retail Individual Bidders of at least 10% and 30% of the Issue respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

4. Under subscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the Selling Shareholders, in consultation with the BRLMs and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 600,000 Equity Shares, the balance Equity in the QIB Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
5. The BRLMs, in consultation with us and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
6. Allotment to all investors, including Eligible NRIs, FIIs registered with SEBI or Mutual Funds or FVCIs registered with SEBI will be subject to applicable laws, rules, regulations, guidelines and approvals.
7. We and the Selling Shareholders reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

Signing of Underwriting Agreement and RoC Filing

- (a) We, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Draft Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that we shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
- (b) BRLMs or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be Allotted to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) We and the Selling Shareholders will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Public Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.

- (b) As per SEBI Guidelines, **Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per provisions of the Companies Act in the Depositories Act.
- (c) After the funds are transferred from the Escrow Accounts to the Public Issue Account on the Designated Date, we and the Selling Shareholders will allot the Equity Shares to the Allottees.
- (d) Investors are advised to instruct their depository participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the Allotment. We shall ensure dispatch of refund orders, if any, of value up to Rs 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs 1500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we and the Selling Shareholders undertake that:

- Allotment shall be made only in dematerialized form, within 15 days from the Bid/Issue Closing date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and /or demat credits are not made to investors within the 15 day time prescribed above.

GENERAL INSTRUCTIONS

Do's:

- (a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Prospectus;
- (b) Ensure that you Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;
- (d) Ensure that the details about your depository participant and beneficiary account are correct as Equity Shares will be Allotted in the dematerialized form only;
- (e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (f) Ensure that you have been given a TRS for all your Bid options;
- (g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (h) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act, and ensure that you have attached copies of your PAN card or PAN allotment letter with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place, and attach a copy of Form 60 or 61 as the case may be, together with permissible documents as address proof; and
- (i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the depository participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

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Don'ts:

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/ revise the Bid to a price that is less than the lower end of the Price Band or more than the higher end of the Price Band;
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest;
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- (f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs.100,000);
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Prospectus; and
- (h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White colour for Resident Indians and Eligible NRIs applying on non-repatriation basis and Blue colour for Non Residents including, Eligible NRIs, FIIs registered with SEBI and FVCIs registered with SEBI, applying on repatriation basis.
2. Made in single name or in joint names (not more than three, and in the same order as their depository participant details).
3. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum application Forms or Revision Forms are liable to be rejected.
4. The Bids from the Retail Individual Bidders must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
5. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws and regulations.
6. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account Details and Bank Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the

Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (“Demographic Details”). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay on account of returned refund orders/allocation advice/CANs shall be at the Bidders sole risk and we, the Selling Shareholders and the BRLMs shall not have any responsibility nor undertake any liability for the same.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, the Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

The Company, in its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Company and the BRLMs may deem fit.

Bids by Eligible NRIs

Eligible NRI Bidders should comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Forms from our registered office, our corporate office, members of the Syndicate or the Registrar to the Issue.

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2. Eligible NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through NRO Accounts shall use the Bid cum Application Form meant for resident Indians (White in colour).

Bids by Eligible NRIs/ FIIs registered with SEBI / FVCIs registered with SEBI on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (Blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. By Eligible NRIs – Bids for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of Allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of Allocation.
4. By FIIs /FVCIs registered with SEBI – for a minimum of such number of Equity Shares and in multiples of 35 Equity Shares thereafter that the Bid Amount exceeds Rs. 100,000.
5. In the names of individuals, or in the names of FIIs or FVCIs, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs, and all such Bidders will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Accounts

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding/Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLMs.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - (a) In case of Resident QIB Bidders: "Escrow Account - MMFSL Public Issue – QIB Resident"
 - (b) In case of Non Resident QIB Bidders: "Escrow Account - MMFSL Public Issue – QIB NR"
 - (c) In case of Resident Retail and Non-Institutional Bidders: "Escrow Account - MMFSL Public Issue Resident"
 - (d) In case of Non Resident Retail and Non-Institutional Bidders: "Escrow Account - MMFSL Public Issue - NR"

4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
5. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of a NRO Account.
6. In case of Bids by FIIs, FVCIs registered with SEBI the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
7. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
8. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders till the Designated Date.
9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Public Issue Account.
10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
11. Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Accordingly, payment through stockinvest will not be accepted in the Issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the First Bidder and will be dispatched to his or her address.

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Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We and the Selling Shareholders reserve the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories

'PAN' or 'GIR' Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that **Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving license (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining unique identification number and the requirement to contain/quote the same under the SEBI (Central Database of Market Participants) Regulations, 2003 vide its circular MAPIN/Cir-13/2005.

Right to Reject Bids

In case of QIB Bidders, we and the Selling Shareholders in consultation with the BRLMs may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, we have the right to reject Bids based on technical grounds only.

GROUND'S FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
2. Age of First Bidder not given;
3. Bids by minors;
4. PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN and proof of PAN is not attached to the Bid cum Application Form;
5. Bids for lower number of Equity Shares than specified for that category of investors;

6. Bids at a price less than lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
9. Bids for number of Equity Shares, which are not in multiples of 35;
10. Category not ticked;
11. Multiple Bids;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stockinvest/money order/postal order/cash;
14. Signature of sole and/or joint Bidders missing;
15. Bid cum Application Form does not have the stamp of the members of the Syndicate;
16. Bid cum Application Form does not have the Bidder's depository account details;
17. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and the Prospectus and as per the instructions in the Red Herring Prospectus and the Prospectus and the Bid cum Application Form;
18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
20. Bids by OCBs;
21. Bids by QIBs not submitted through Kotak Securities Limited and ABN AMRO Asia Equities (India) Limited;
22. Bids by U.S. residents or U.S. persons excluding those who are both "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act and "Institutional Accredited Investors" as defined in Regulation D under the U.S. Securities Act and who are also "Qualified Purchasers" as defined under the U.S. Investment Company Act and in either case complete the representations set out in the Bid cum Application Form; and
23. Bids by person who are not eligible to acquire Equity Shares of our Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional Bidders and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to 6,000,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 6,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of 1 (one) Equity Shares thereafter. The method of proportionate basis of allocation is stated below.

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B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,000,000 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,000,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of 1 (one) Equity Shares thereafter. The method of proportionate basis of allocation is stated below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (i.e. 6,00,000 Equity Shares) shall be determined as follows;
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
 - (b) In the second instance allocation to all QIBs shall be determined as follows:
 - (i) In the event of oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- Allotment Reconciliation and Revised CANs: After the Bid/Offer Closing Date, based on the electronic book, QIBs will be sent a CAN on or prior to January 11, 2006 indicating the number of Equity Shares that may be allotted to them. The CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the book prepared based on Bid cum Application Forms received by the Registrar. Subject to SEBI Guidelines, certain Bid cum Application Forms may be rejected due to technical reasons, non-receipt of funds, cancellation or bouncing of cheques, etc. and these rejected Bid cum Application Forms will be reflected in the

reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to the QIBs which may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares to them. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issuance of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares Allotted to such QIB. The revised CAN, if issued, will supersede in entirety to the earlier CAN.

- The aggregate allocation to QIB Bidders shall be of 12,000,000 Equity Shares. The method of proportionate basis of allocation is stated below.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1.	Issue size	200 million equity shares
2.	Allocation to QIB (50%)	100 million equity shares
	Of which:	
	a. Reservation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
3.	No. of QIB applicants	10
4.	No. of shares applied for	500 million equity shares

B. Details Of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	500

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

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C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	5	95	42.42

Please note:

- The illustration presumes compliance with the requirements specified in this Prospectus in the section titled "Issue Structure" beginning on page 247.
- Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
- The balance 95 million Equity Shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
- The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 95 / 495
 - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
 - The numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of proportionate basis of allocation in the Issue

Bidders will be categorized according to the number of Equity Shares applied for by them.

- The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate Allotment to a Bidder is a number that is more than 35 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate Allotment is less than 35 Equity Shares per Bidder, the Allotment shall be made as follows:
 - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
 - Each successful Bidder shall be allotted a minimum of 35 Equity Shares.
- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Equity Shares in Dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be Allotted only in a dematerialized form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- (a) an agreement dated December 16, 2005 between NSDL, us and Registrar to the Issue;
- (b) an agreement dated December 5, 2005 between CDSL, us and Registrar to the Issue.

Bidders will be Allotted Equity Shares only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity Shares Allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

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8. The trading of the Equity Shares would be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Pre-Issue and Post Issue related problems

We have appointed Mr. V. Ravi, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

Mr. V. Ravi

Sadhana House, 2nd floor
Behind Mahindra Towers
570, P. B. Marg, Worli
Mumbai - 400 018
Maharashtra, India
Tel: 91 22 5652 6000
Fax: 91 22 24972741
E-mail: ravi.v@mahindra.com
Website: www.mahindrafinance.com

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

We shall ensure dispatch of Allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, 'Under Certificate of Posting', and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk, and adequate funds for this purpose shall be made available to the Registrar for this purpose.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- We shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

UNDERTAKINGS BY THE COMPANY

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of Allotment;
- that the funds required for dispatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the Non Residents shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

UNDERTAKINGS BY THE SELLING SHAREHOLDER

The Selling Shareholder undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time; and
- The Selling Shareholder has authorized the Company Secretary and Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors.

UTILIZATION OF ISSUE PROCEEDS

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilized;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;

We shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the GoI notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued thereunder. While the policy of the GoI prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of

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the GoI, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. As per the sector specific guidelines of the GoI relating to non banking financial companies such as us, FDI up to 100% is permitted subject to certain minimum capitalization requirements.

As we are an NBFC and thus covered under the financial services sector, the transfer of Equity Shares by the Selling Shareholders under the Offer for Sale to non-resident bidders shall be subject to FIPB and RBI approval or any requisite permission as may be necessary under the FEMA.

We had made applications to the FIPB and the RBI for the transfer of Equity Shares under this Issue to persons resident outside India. There is, therefore, no necessity for the non-resident Bidders to make separate applications seeking permission from the FIPB and the RBI.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total post-Issue share capital.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act and "Institutional Accredited Investors" as defined in Regulation D under the U.S. Securities Act and who are also "Qualified Purchasers" as defined under the U.S. Investment Company Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company (i.e., 10% of 86,000,525 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however as of the date of this Prospectus no such resolution has been recommended to our shareholders for approval.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

SECTION IX: MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association of Mahindra & Mahindra Financial Services Limited are set forth below:

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Increase in Capital

Article 6 provides that “The company in general meeting may from time to time increase its share capital by the creation of further shares, such increases to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, the further shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the general meeting resolving upon the creation thereof shall direct, and if no direction be given as Board shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the company, and with a right of voting at general meetings of the company.”

Restrictions on Purchase by Company of its own shares.

Article 12 (1) provides that “The Company shall not have the power to buy its own shares, unless the consequent reduction of capital is effected and sanctioned in accordance with Article 13 and in accordance with Section 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.”

Reduction of Capital

Article 13 provides that “The Company may subject to the provisions of Sections 78, 80 and 100 to 105 and other applicable provisions (if any) of the Act, from time to time by special resolution reduce its capital and any capital redemption reserve account or any share premium account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise.”

Modification of rights

Article 16 provides that “Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected or abrogated, or dealt with by agreement between the Company and any person purporting to contract on behalf of that class provided such agreement is ratified in writing by holders of at least three-fourths in normal value of the issued shares of the class or is confirmed by a resolution passed by the votes of not less than three-fourths of the votes of the holders of shares of that class at a separate general meeting of the holders of shares of that class and all the provisions contained in these Articles as to general meetings shall mutatis mutandis apply to every such meeting. This article is not to derogate from any power the Company would have if this article was omitted.”

No Issue with Disproportionate Rights

Article 18 provides that “The Company shall not issue any shares (not being preference shares) which carry voting right or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attached to the holders of other shares (not being preference shares).”

UNDERWRITING AND BROKERAGE

Commission may be paid.

Article 35 provides that “The Company may, subject to the provisions of Section 76 and other applicable provisions if any of the Act, at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) or in consideration of his procuring or agreeing to procure subscriptions (Whether absolutely or conditionally) for any share in, or debentures of the Company. The commission may be satisfied by payment of cash or allotment of fully or partly paid shares or debentures or partly in the one way and partly in the other.”

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Brokerage may be paid

Article 36 provides that “The Company may pay a reasonable sum for brokerage on any issue of shares and debentures.”

CALLS

Directors may make calls.

Article 38 provides that “The Board of Directors may, from time to time, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it may think fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at a every call so made on him to the persons and at the times and place appointed by the Board of Directors. A call may be made payable by instalments. ”

Call to carry interest after due date.

Article 43 provides that “If any member fails to pay a call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time the article shall render it compulsory upon the Board of Directors to demand or recover any interest from any such member.”

FORFEITURE, SURRENDER AND LIEN

In default of payment shares to be forfeited.

Article 48 provides that “If the requisitions of any such notice as aforesaid are not complied with any share in respect of which the notice has been given may at any time thereafter, before all the calls or instalments and interests and expenses due in respect thereof are paid, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonus declared in respect of the forfeited shares and not actually paid before forfeiture.”

Board may accept Surrender of Shares.

Article 59 provides that “The Board may at any time, subject to the provisions of the Act, accept the surrender of any share from or by any member desirous of surrendering the same on such terms as the Board may think fit.”

Company's Lien on Shares.

Article 60 provides that “The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that Article 32 hereof is to have full effect and such lien shall extend to all dividends/interests and bonuses from time to time declared in respect of such shares/ debentures. Unless otherwise agreed the registration of transfer of shares/ debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provisions of this clause.”

TRANSFER AND TRANSMISSION OF SHARES

Form of Transfer

Article 68 provides that “The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and of the registration thereof. However the provisions relating to instrument of transfer shall not apply to the shares of the Company which have been dematerialised.”

The Board may decline to register Transfer.

Article 69(1) provides that “The Board may, subject to the right of appeal conferred by Section 111 of the Act, at its own, absolute and uncontrolled discretion and by giving reason(s), decline to register or acknowledge any transfer of any shares in the company to any person of whom it does not approve and in particular, may so decline in any case in which the company has a lien upon the shares or any of them. The registration of a transfer shall be conclusive evidence of the approval by the Board of the transferee but so far only as regards the share or shares in respect of which the transfer is so registered

and not further or otherwise and not so as to debar the Board from declining to register any subsequent or other transfer or other shares applied for in the name of such transferee. Transfer of shares/debentures in whatever lot shall not be refused.”

Transfer to be left at office as Evidence of title given.

Article 72 provides that “Every instrument of transfer duly executed and stamped shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares.”

Transfer Books when closed

Article 74 provides that “The Board may after giving not less than seven days previous notice by advertisement as required by Section 154 of the Act, close the Register of Members or the Register of Debenture Holders for any period or periods not exceeding in the aggregate, 45 (forty-five) days in each year, but not exceeding 30 days at any one time.”

Transmission of shares

Article 77 provides that “ Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him, and approved by the Board, registered as such holder provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing to his nominee an instrument of transfer of the share in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of the share.”

Board may refuse to Transmit.

Article 78 provides that “The Board shall, subject to the provisions of Article 69 hereof, have the same right to refuse to register a person entitled by transmission to any share, or his nominee, as if he were the transferee named in any ordinary transfer presented for registration.”

Board may require Evidence of Transmission.

Article 79 provides that “Every transmission of shares shall be verified in such manner as the Board may require and, if the Board so desires, be accompanied by such evidence as may be thought necessary and the Company may refuse to register any such transmission until the same be so verified or requisite evidence produced or until or unless an indemnity be given to the Company with regard to such registration which the Board at its absolute discretion shall consider sufficient, provided nevertheless, that there shall not be any obligation on the Company or the Board to accept any indemnity.”

CONVERSION OF SHARES INTO STOCK

Shares may be converted into stock

Article 85 provides that “The Board may, with the sanction of a general meeting, convert any paid up share into stock and when any shares shall have been converted into stock the several holders of such stock may henceforth, transfer their respective interest therein or any part of such interest in the same manner as and subject to the same regulations, under which fully paid up shares in the capital of the company may be transferred or as near thereto as circumstances will admit, but the Board may from time to time, as it thinks fit, fix the minimum amount of stock transferable and direct that fractions of rupee shall not be dealt with power nevertheless at their discretion to waive such rules in any particular case.”

Rights of Stock-holders

Article 86 provides that “The stock shall confer on the holders thereof respectively the same rights, privileges and advantages as regards participation in the profits and voting at meetings of the Company and for other purposes as would have been conferred by shares of equal amount in the capital of the Company of the same class as the shares from which such stock was converted, but so that none of such privileges or advantages, except participation in the profits of the Company or in the assets of the Company winding up, shall be conferred by any such equivalent part of consolidated stock as would not, if existing in share, have conferred such privileges or advantages. No such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted. Save as aforesaid all the provisions herein contained shall, so far as circumstance will admit, apply to stock as well as to shares. The Company may at any time re-convert any such stock into fully paid up shares of any denomination.”

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BORROWING POWERS

Power to borrow

Article 88 provides that "Subject to the provisions of the Sections 292 and 293 of the Act, the Board may, from time to time at its discretion accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans in the ordinary course of business) exceed the aggregate of the paid -up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), the Board shall not borrow such money's without the consent of the Company in General Meeting."

Payment or repayment of moneys borrowed

Article 89 provides that "Subject to the provisions of the previous Article the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit and in particular by a resolution passed at a meeting of the Board (and not by a circular resolution) including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being, and debenture-stock and other securities may be assignable free from any equities between the Company and the person to whom the same may be issued."

Terms of issue of debentures.

Article 90 provides that "Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at general meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting recorded by a Special Resolution."

SHARE WARRANTS

Power to issue share warrants.

Article 93 provides that "The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115, and accordingly the Board may in its discretion, with respect to any share which is fully paid up on an application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the persons signing the application, and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant."

Privileges and disabilities of the holders of share warrants.

Article 95 provides that "(a) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling meeting of the Company, or attend or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled to receive any notices from the Company.(b)The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members, as the holder of the share included in the warrant, and he shall be a member of the Company."

MEETING OF MEMBERS

Annual General Meeting

Article 97 provides that "(a) Subject to Section 166 of the Act, the Company shall in each year hold in addition to any other meetings a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall lapse between the date of one annual general meeting of the Company and that of the next, subject however to the right of the Registrar under the Act to extend the time within which any annual general meeting may be held. (b) Every annual general meeting shall be called for at a time during business hours on a day that is not a public holiday and shall be held either at the registered office of the Company or at some other place within the city or town of village in which the registered office of the Company is situated."

Calling of Extraordinary General Meetings

Article 100 provides that “The Board may, whenever it thinks fit, call an extraordinary general meeting of the Company and it shall, on the requisition of the holders of not less than one-tenth of the issued capital of the company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extraordinary general meeting of the Company, and in the case of such requisition the provisions of Section 169 of the Act shall apply. No shareholder or shareholders shall call a meeting of the Company except by or upon a requisition as herein provided.”

Special Business

Article 103 provides that “All business to be transacted at an annual general meeting with the exception of business relating to (i) the consideration of the accounts, balance sheet and the reports of the Board of Directors and auditors, (ii) the declaration of the dividend, (iii) the appointment of and the fixing of the remuneration of auditors, and all, business to be transacted at any other meetings of the Company shall be deemed ‘Special’.”

Quorum

Article 106 provides that “Five members entitled to vote and present in person shall be a quorum for a general meeting. When more than one of the joint holders of a share is present, not more than one of them shall be counted for determining the quorum. Several executors or administrators of a deceased person in whose sole name, a share stands shall, for the purposes of this article, be deemed joint holders thereof. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a state being a member of the Company shall be deemed to be personally present if he is represented in accordance with Section 187A of the Act.”

How motion to be decided at meetings

Article 115 provides that “At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded as provided in these Articles.”

Declaration of Chairman to be conclusive

Article 116 provides that “A declaration by the Chairman that on a show of hands, a resolution has or has not been carried, or has been carried either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the company shall be conclusive evidence of the fact, without proof of the number of proportion of the votes cast in favour of or against such resolution.”

Chairman’s Casting Vote

Article 121 provides that “In the case of equality of votes the chairman shall, both on a show of hands and on poll, have second or casting vote in addition to the vote or votes to which he may be entitled as a member.”

VOTE OF MEMBERS***Members calls in arrears not to vote.***

Article 123 provides that “No member shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the company has, and has exercised, any right of lien.”

Voting in persons or by proxy

Article 128 provides that “Subject to the provisions of these Articles, votes may be given either personally or by an attorney or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise it if it were an individual member.”

Appointment of proxy

Article 130 provides that “Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer

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or his attorney, or if such appointer is a corporation, under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meeting.”

Proxy to vote only on poll

Article 132 provides that “A member present by proxy shall be entitled to vote only on a poll.”

Chairman of the meeting to be the judge of validity of any vote

Article 137 provides that “The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.”

DIRECTORS

Article 139 provides that “Until otherwise determined by a general meeting of the company and subject to the provision of Section 252 of the Act, the number of directors shall not be less than three or more than twelve.”

Nominee Directors

Article 142 provides that “Whenever the Company enters into an agreement or contract with the Central or State Government, a local authority, bank or financial institution, or any person or persons, (hereinafter referred to as “the appointer”) for borrowing any money or for providing any guarantee or security or for underwriting shares or debentures or other securities of the Company, the Board shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have if and to the extent provided by the terms of such agreement or contract, the right to appoint or nominate, by a notice in writing addressed to the Company, one or more Directors on the Board, for such period and upon such conditions as may be mentioned in the agreement or contract and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Board may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill any vacancy which may occur as a result of any Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by other Directors.”

PROCEEDINGS OF DIRECTORS

Proceedings of Directors

Article 158 provides that “ (a) The Board of Directors may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it may think fit. (b) A meeting of the Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year. (c) The Chairman, if any, of the Board of Directors may at any time and the Managing Director if any, or the Secretary on the requisition of a Director shall summon a meeting of the Board. (d) Notice of every meeting of the Board of Directors of the Company shall be given in writing to every Director for the time being in India, and at his usual address in India to every other director.”

Quorum

Article 159 provides that “ (a) Subject to Section 287 of the Act the quorum for a meeting of the Board shall be one third of the total strength of the Board (any fraction contained in the one third being rounded off as one) or two directors whichever is higher; provided that where at any meeting the number of interested Directors exceeds or is equal to two thirds of the total strength, the number of the remaining directors, that is to say the number of the directors who are not interested and are present at the meeting, being not less than two shall be quorum during such time.”

DIVIDENDS

Division of profits

Article 183 provides that “The profits of the Company which it shall from time to time determine, subject to the provisions of the Act, to divide in respect of any year or other period, shall be applied first in paying the fixed preferential dividend on the capital paid up on the preference shares if any and secondly in paying a dividend declared for such year or other period on the capital paid up on the equity shares.”

Declaration of Dividends

Article 186 provides that “The Company in general meeting may subject to the provisions of the Act declare a dividend to be paid to the members according to their rights and interests in the profits and may fix the time for payment.”

Restrictions on amount of dividend

Article 187 provides that “No larger dividend shall be declared than is recommended by the Board but the Company in general meeting may declare a smaller dividend.”

Dividend and call together

Article 191 provides that “Any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend and the dividend may if so arranged between the Company and the member be set off against the call.”

No member to receive interest or dividend whilst indebted to the Company and Company’s right to Reimbursement thereof

Article 195 provides that “No member shall be entitled to receive payment of any interest on dividend in respect of his own share or shares whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any shareholder all sums of money so due, from him to the Company.”

Capitalisation of Reserves

Article 198 provides that “(a) Any general meeting may, upon the recommendation of the Board, resolve that any moneys, investments or other assets forming part of the undistributed profits of the Company standing to the credit of the profit and loss account or of the Reserve Fund or any capital redemption reserve fund or in the hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund shall not be paid in cash but shall be applied subject to the provisions contained in clause (b) hereof on behalf of such shareholders in full or towards:-(1) paying either at par or at such premium as the resolution may provide any unissued shares or debentures or debenture stock of the Company which shall be allotted, distributed and credited as fully paid up to and amongst such members in the proportions aforesaid; or (2) paying up any amounts for the time being remaining unpaid on any shares or debentures or debenture-stock held by such members respectively; or (3) paying up partly in the way specified in sub-clause (1) and partly in that specified in sub-clause (2) and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

(b) (1) Any moneys, investments or other assets representing premium received on the issue of shares standing to the credit of share premium account; and (2) If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may by resolution of the Company be applied only in paying up in full for any shares remaining unissued to be issued to such members of the Company as the general meeting may resolve upto an amount equal to the nominal amount of the shares so issued.

(c) Any general meeting may resolve that any surplus moneys arising from the realization of any capital assets of the Company or any investments representing the same or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.

(d) For the purpose of giving effect to any such resolution the Board may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as it thinks expedient and in particular it may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, share, debentures, bond or other obligations in trustees upon such trust for the persons entitled thereto as may seem expedient to the Board and generally may make such arrangement for acceptance, allotment, and sale of such shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as it may think fit.

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(e) If and whenever any share becomes held by any member in fraction, the Board may subject to the provisions of the Act, and these articles and to the directions of the Company in general meeting, if any, sell the shares which members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Board may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or by invalidity in the proceedings with reference to the sale.

(f) Where required a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Act and the Board may appoint any person to sign such contract on behalf of the person entitled to the dividend or capitalised fund and such appointment shall be effective.”

INDEMNITY

Company may indemnify

Article 208 provides that “Subject to the provisions of the Act, every Director, Manager or an other officer or any person (whether officer of the Company or not) employed by the Company, or as an auditor, or servant of the Company shall be indemnified by the Company and it shall be the duty of the Board to pay out of the funds of the Company all costs, charges, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or thing done by him as such officer or servant or in any way in the discharge of his duties including expenses, and in particular and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such director, Manager, officer or servant in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted by the court.”

WINDING UP

Distribution of Assets

Article 210 provides that “If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be the losses shall be borne by the members in proportion to the capital paid up on which ought to have been paid up at the commencement of the winding up on the shares held by them respectively and if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital paid up or which ought to have been paid up at the commencement of winding up on the shares held by them respectively. But this article is without prejudice to the rights of the holders of shares issued upon special terms and conditions.”

Members Knowledge Implied

Article 213 provides that “Each member of the Company, present and future, is to be deemed to join the Company with full knowledge of all contents of these presents.”

SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Prospectus, delivered to the Registrar of Companies Maharashtra, Mumbai for registration and also the documents for inspection referred to hereunder.

Material Contracts

1. Engagement letter dated January 2, 2006, for appointment of Kotak Mahindra Capital Company Limited and ABN AMRO Securities (India) Private Limited as the BRLMs.
2. Memorandum of understanding amongst our Company, the Selling Shareholder, the BRLMs dated January 5, 2006.
3. Letter exchanges between us and the Registrar dated January 6, 2006.
4. Memorandum of understanding executed by our Company and the Selling Shareholders with the Registrar to the Issue dated January 16, 2006.
5. Escrow Agreement dated February 13, 2006 between the Company, the Selling Shareholders, the BRLMs, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue.
6. Syndicate Agreement dated February 14, 2006 between the Company, the Selling Shareholders, the BRLMs, and the Syndicate Members.
7. Underwriting Agreement dated February 28, 2006 between the Company, the Selling Shareholders, the BRLMs, the Syndicate Members and the Registrar to the Issue.

Material Documents

8. Our Memorandum and Articles of Association, as amended till date.
9. Our certification of incorporation dated January 1, 1991 and consequent to change of name dated November 3, 1992.
10. Certificate of commencement of business dated February 19, 1991.
11. Resolution of the Board of Directors of M&M dated October 26, 2005 approving the Offer for Sale of up to 10,000,000 Equity Shares.
12. Resolutions of our Board dated October 27, 2005, approving the Issue.
13. Shareholders' resolutions dated December 9, 2005 in relation to this Issue and other related matters.
14. Reports of the statutory Auditors dated February 3, 2006 prepared as per Indian GAAP and mentioned in this Prospectus.
15. Copies of annual reports of our Company and our subsidiary for the past five financial years.
16. Employee Stock Option Scheme as approved by our shareholders on October 24, 2005.
17. Documents pertaining to compensation of our Managing Director.
18. Letter dated January 4, 2006 between Copa Cabana and us regarding their investment in the Company.
19. General power of attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to the Draft Red Herring Prospectus.

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

20. Consents of the Auditors, the Bankers to the Company, the BRLMs, the Syndicate Members, the Registrar to the Issue, the Escrow Collection Banks, the Bankers to the Issue, the Domestic Legal Counsel to the Company, the Domestic Legal Counsel to the Underwriters, the International Legal Counsel to the Underwriters, the Directors of our Company, the Compliance Officer, as referred to, in their respective capacities.
21. Initial listing applications dated January 9, 2006 filed with the NSE and the BSE.
22. In-principle listing approvals dated January 24, 2006 from the NSE and the BSE.
23. Agreement between NSDL, our Company and the Registrar to the Issue dated December 16, 2005.
24. Agreement between CDSL, our Company and the Registrar to the Issue dated December 5, 2005.
25. Due diligence certificate dated January 9, 2006 to SEBI from ABN AMRO Securities (India) Private Limited and Kotak Mahindra Capital Company Limited.
26. Approval from the FIPB pursuant to its letter No. FC.II.:27(2006)/353(2005) dated January 19, 2006 for the fresh issue of up to 15 million Equity Shares and transfer of up to 10 million Equity Shares held by the Selling Shareholders to eligible non-residents including FIIs, NRIs, FVCIs and multilateral and bilateral development financial institutions.
27. Approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. FE.CO.PID/17321/10.21.031/2005/2006 dated February 8, 2006.
28. SEBI observation letter no. CFD/DIL/SM/59166/2005 dated January 31, 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be.

We and the signatories mentioned hereinbelow further certify that all statements in this Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Mr. Anand G. Mahindra*

Mr. Bharat N. Doshi

Mr. Anjanikumar Choudhari*

Mr. Uday Y. Phadke

Mr. Dhananjay Mungale*

Mr. Manohar G. Bhide

Mr. Nasser Munjee*

Mr. Piyush Mankad*

Dr. Pawan Goenka*

Mr. Ramesh Iyer

**Through their constituted attorney Mr. Ramesh Iyer*

Mr. Ramesh Iyer

Managing Director

Mr. V. Ravi

Chief Financial Officer

SIGNED FOR MAHINDRA & MAHINDRA LIMITED

Mr. Bharat Doshi

Executive Director (Finance & Corporate Affairs)

Date : February 28, 2006

Place : Mumbai.

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