

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Registered Office: Gateway Building, Apollo Bunder, Mumbai - 400 001.

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SPECIMEN

Dear Member(s),

Postal Ballot Notice pursuant to section 192A of the Companies Act, 1956

The Company proposes to raise additional capital by issue of Equity Shares through Qualified Institutions Placement (QIP) mechanism to meet its requirement for long term funds, as more specifically described in the Special Resolution under Item No.4 of the Notice. In order to facilitate the issue of Equity Shares under QIP and for further issuance of Equity Shares at an opportune time, it is proposed to increase the Authorised Share Capital of the Company and alter the Memorandum and Articles of Association of the Company as more specifically described in Special Resolutions given under Item Nos.1 to 3 of the Notice.

The Board of Directors of the Company had at its Meeting held on 29th November, 2010 approved the increase in the limit for investments by Foreign Institutional Investors (FIIs) from the present limit of 35% to 49% of the paid-up Equity Share Capital of the Company, subject to the approval of the Members, as more specifically described in the Special Resolution under Item No.5 of the Notice.

In terms of section 192A of the Companies Act, 1956 ("the Act"), a listed company may propose any resolution to be passed by the Members through Postal Ballot in accordance with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 ("the Rules"). Although not mandatory, the Board is seeking Members' approval through Postal Ballot process instead of convening a general meeting, to facilitate wider participation in the decision making process by the Members.

Accordingly, the draft of the Special Resolutions together with the Explanatory Statement setting out the material facts and reasons for the Resolutions is being sent to you along with a Postal Ballot Form for your consideration.

The Company has appointed Mr. S. N. Ananthasubramanian, Practising Company Secretary, as a Scrutinizer, for conducting the Postal Ballot in a fair and transparent manner and in accordance with the provisions of the Act and Rules framed thereunder.

You are requested to carefully read the instructions printed in the Postal Ballot Form and return the Form duly completed in the attached self-addressed postage pre-paid envelope so as to reach the Scrutinizer on or before the close of working hours on 3rd January, 2011. The Scrutinizer will submit his Report to the Chairman after completion of the scrutiny of the Postal Ballots received. The Chairman or the Vice-Chairman or the Managing Director of the Company or the Company Secretary, will announce the Results of the Postal Ballot on Wednesday, the 5th day of January, 2011 at 5.00 p.m. at the Company's Corporate Office at Sadhana House, 2nd Floor, 570, P. B. Marg, Worli, Mumbai - 400 018.

The Results will be displayed at the Registered Office and the Corporate Office, besides being communicated to the Stock Exchanges on which the Company's Equity Shares are listed. The Results will also be published in the Newspaper(s) for the information of the Member(s).

DRAFT SPECIAL RESOLUTIONS :

1. To consider and, if thought fit, to pass the following as a Special Resolution:

"RESOLVED that pursuant to section 94 and all other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs. 1,60,00,00,000 (Rupees One Hundred Sixty Crores) divided into 11,00,00,000 (Eleven Crores) Equity Shares of Rs. 10 (Rupees Ten) each and 50,00,000 (Fifty Lakhs) Redeemable Preference Shares of Rs.100 (Rupees Hundred) each to Rs.1,90,00,00,000 (Rupees One Hundred Ninety Crores) divided into 14,00,00,000 (Fourteen Crores) Equity Shares of Rs.10 (Rupees Ten) each and 50,00,000 (Fifty Lakhs) Redeemable Preference Shares of Rs.100 (Rupees Hundred) each by the creation of additional 3,00,00,000 (Three Crores) Equity Shares of Rs. 10 (Rupees Ten) each."

2. To consider and, if thought fit, to pass the following as a Special Resolution :

"RESOLVED that pursuant to section 16 and all other applicable provisions, if any, of the Companies Act, 1956, the first para of Clause V of the Memorandum of Association of the Company be altered by substituting in its place and stead the following :

'The Authorised Share Capital of the Company is Rs.1,90,00,00,000 (Rupees One Hundred Ninety Crores) consisting of 14,00,00,000 (Fourteen Crores) Equity Shares of Rs.10 (Rupees Ten) each and 50,00,000 (Fifty Lakhs) Redeemable Preference Shares of Rs.100 (Rupees Hundred) each.'

3. To consider and, if thought fit, to pass the following as a Special Resolution :

"RESOLVED that pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956, Article 3 of the Articles of Association of the Company be substituted by the following :

'3. The Authorised Share Capital of the Company is Rs. 1,90,00,00,000 (Rupees One Hundred Ninety Crores) consisting of 14,00,00,000 (Fourteen Crores) Equity Shares of Rs. 10 (Rupees Ten) each and 50,00,000 (Fifty Lakhs) Redeemable Preference Shares of Rs.100 (Rupees Hundred) each.'

4. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment(s), statutory modification(s) or re-enactment thereof), enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchange(s) where Equity Shares of the Company are listed and in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [**"SEBI (ICDR) Regulations"**], Foreign Exchange Management Act, 1999 (**"FEMA"**), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 as amended from time to time and subject to other applicable rules, regulations and guidelines issued by the Securities and Exchange Board of India (**"SEBI"**), the Reserve Bank of India (**"RBI"**), the Government of India (**"GOI"**), the Stock Exchanges and/or any other competent authorities from time to time to the extent applicable, and subject to such approvals, permissions, consents and sanctions as may be necessary from SEBI, Stock Exchanges, RBI, Foreign Investment Promotion Board, GOI and/or any other authorities as may be required in this regard and further subject to such terms and conditions or modifications as may be prescribed or imposed by any of them while granting any such approvals, permissions, consents and/or sanctions (hereinafter referred to as **"the requisite approvals"**), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as **"the Board"** which term shall be deemed to include any Committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this Resolution), the Board be authorised to create, offer, issue and allot Equity Shares of the face value of Rs.10/- each for an aggregate amount not exceeding Rs.570 crores to Qualified Institutional Buyers (**"QIBs"**) under the Qualified Institutions Placement (**"QIP"**), in one or more tranches, whether or not such QIBs are Members of the Company, through a Placement Document and/or such other documents/writings/ circulars/memoranda in such manner, at such price and on such terms and conditions as may be determined by the Board at an appropriate time in consultation with the Merchant Banker(s) appointed and/or to be appointed by the Company in relation to such QIP in accordance with the provisions of Chapter VIII of SEBI (ICDR) Regulations (the **"Issue"**).

FURTHER RESOLVED that the Relevant Date for determination of the price of the Equity Shares to be issued to QIBs shall be the date of the Meeting in which the Board of Directors of the Company or the Committee of Directors duly authorised by the Board of Directors of the Company decides to open the Issue.

FURTHER RESOLVED that the Equity Shares to be issued and allotted in terms of this Resolution shall rank pari passu in all respects with the existing Equity Shares of the Company.

FURTHER RESOLVED that these Equity Shares shall be listed with the Stock Exchange(s), where the existing Equity Shares of the Company are listed.

FURTHER RESOLVED that such of these Equity Shares to be issued as are not subscribed may be disposed of by the Board in such manner and/or on such terms as the Board may deem fit and proper, in its sole and absolute discretion.

FURTHER RESOLVED that for the purpose of giving effect to the above, the Board in consultation with the Merchant Banker(s), Advisors and/or other intermediaries as may be appointed by the Company in relation to the Issue, be and is hereby authorised on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the issue and allotment of the aforesaid Equity Shares and listing thereof with the Stock Exchange(s) and to resolve and settle all questions and difficulties that may arise in the issue, offer and allotment of any of the Equity Shares, including finalization of the timing of the Issue/offering(s), identification of the Investors to whom Equity Shares are to be offered, utilization of the Issue proceeds and to agree to such conditions or modifications that may be imposed by SEBI, RBI, Stock Exchange(s) or other authorities while granting the requisite approvals or that may otherwise be deemed fit or proper by the Board and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Board in its absolute discretion deems fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

5. To consider and, if thought fit, to pass the following as a Special Resolution :

"RESOLVED that pursuant to the applicable provisions of Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 and all other applicable rules, regulations, guidelines and laws (including any statutory modifications or re-enactment thereof, from time to time) and subject to all applicable approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as **"the Board"** which term shall be deemed to include any Committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this Resolution), consent of the Company be accorded to the Board to permit Foreign Institutional Investors (**"FIIs"**) registered with the Securities and Exchange Board of India (**"SEBI"**) to acquire and hold, on their own account and on behalf of their SEBI approved sub-accounts, Equity Shares of the Company, provided that the Equity Shareholding(s) of all such FIIs and sub-accounts put together shall not exceed 49% (Forty-nine per cent) of the total paid-up Equity Share Capital of the Company, provided however that the shareholding of each FII, on its own account and on behalf of each of the SEBI approved sub-accounts in the Company shall not exceed 10% (Ten per cent) of the total paid-up Equity Share Capital of the Company.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this Resolution and for matters connected therewith or incidental thereto including intimating the concerned authorities or other regulatory bodies and delegating all or any of the powers conferred herein to any Committee of Directors or Officers of the Company."

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item Nos. 1, 2 and 3

At present, the Authorised Share Capital of the Company stands at Rs.1,60,00,00,000 (Rupees One Hundred Sixty Crores) consisting of 11,00,00,000 (Eleven Crores) Equity Shares of Rs.10 (Rupees Ten) each and 50,00,000 (Fifty Lakhs) Redeemable Preference Shares of Rs.100 (Rupees Hundred) each and the issued and subscribed share capital of the Company is Rs.96,90,05,250 (Rupees Ninety-six Crores Ninety Lakhs Five Thousand Two Hundred and Fifty) consisting of 9,69,00,525 (Nine Crores Sixty-nine Lakhs Five Hundred and Twenty-five) Equity Shares of Rs.10 (Rupees Ten) each.

In order to facilitate the issue of Equity Shares through a Qualified Institutions Placement and for further issuance of Equity Shares at an opportune time, it is proposed to increase the Authorised Share Capital of the Company from Rs. 1,60,00,00,000 (Rupees One Hundred Sixty Crores) divided into 11,00,00,000 (Eleven Crores) Equity Shares of Rs. 10 (Rupees Ten) each and 50,00,000 (Fifty Lakhs) Redeemable Preference Shares of Rs.100 (Rupees Hundred) each to Rs.1,90,00,00,000 (Rupees One Hundred Ninety Crores) divided into 14,00,00,000 (Fourteen Crores) Equity Shares of Rs.10 (Rupees Ten) each and 50,00,000 (Fifty Lakhs) Redeemable Preference Shares of Rs.100 (Rupees Hundred) each by the creation of additional 3,00,00,000 (Three Crores) Equity Shares of Rs. 10 (Rupees Ten) each as set forth in the Resolution under Item No.1 of the Notice.

Consequent upon the increase in the Authorised Share Capital of the Company, the first para of Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company would have to be altered in the manner as set out in the Resolutions under Item Nos. 2 and 3 of the Notice respectively.

Accordingly, the Special Resolutions under Item Nos. 1 to 3 seek the approval of the Members for increase in the Authorised Share Capital and alteration of the Memorandum and Articles of Association of the Company.

A copy of the existing Memorandum and Articles of Association of the Company along with the proposed amendments is available for inspection by any Member at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on all working days (except Saturdays, Sundays and Public Holidays) up to 3rd January, 2011; being the last date for receipt of duly completed Postal Ballot Forms.

The Board recommends the passing of the Resolutions under Item Nos. 1, 2 and 3 of the Notice as Special Resolutions.

Your approval is sought by voting through Postal Ballot pursuant to the provisions of section 192A of the Companies Act, 1956 ("the Act") read together with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 for passing the Special Resolutions as set out in this Notice.

None of the Directors of the Company is, in any way, concerned or interested in these items of business. It may be noted that all the Directors are Members of the Company.

Item No. 4

The Company proposes to issue Equity Shares of Rs.10/- each through a Qualified Institutions Placement ("QIP") for an aggregate amount not exceeding Rs. 570 crores in accordance with the provisions of Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ["SEBI (ICDR) Regulations"]. This capital is being raised inter alia, to augment the long term resources by way of enhancing the Tier I capital base, leverage the available business opportunities, provide funding for loans to the customers of the Company and for general corporate purposes.

The Special Resolution seeks to empower the Board of Directors to undertake a QIP with Qualified Institutional Buyers ("QIBs") as prescribed under Chapter VIII of the SEBI (ICDR) Regulations in order to facilitate and meet its funding needs. The Special Resolution also seeks to give the Board powers to issue the Equity Shares in one or more tranche or tranches, at such time or times, at such price or prices to QIBs under the QIP, as the Board in its absolute discretion deems fit. As per SEBI (ICDR) Regulations, the pricing of QIP shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the Company quoted on the stock exchanges during the two weeks preceding the relevant date. The relevant date for the determination of the applicable price shall be date of the Meeting in which the Board of Directors or the Committee of Directors duly authorised by the Board of Directors of the Company decides to open the proposed Issue.

The detailed terms and conditions for the offer will be determined by the Board in consultation with the Advisors, Merchant Banker(s) and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and in accordance with the applicable provisions of law and other relevant factors. The issue and allotment of Equity Shares under QIP would be subject to the availability of regulatory approvals, if any.

Section 81(1A) of the Act and the relevant clauses of the Listing Agreements executed with the Stock Exchanges where the Equity Shares of the Company are listed provide, inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing Members of such Company in the manner laid down in section 81 unless the Members in a General Meeting decide otherwise. As the Special Resolution proposed in the Notice may result in the issue of equity shares to investors who may or may not be Members of the Company, consent of the Members is being sought pursuant to the provisions of section 81(1A) and other applicable provisions, if any, of the Act and in terms of the provisions of the Listing Agreements executed by the Company with the Stock Exchanges where the Equity Shares of the Company are listed.

The Board recommends the passing of the Resolution under Item No. 4 as a Special Resolution.

Your approval is sought by voting through Postal Ballot pursuant to the provisions of section 192A of the Act read together with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 for passing the Special Resolution as set out in this Notice.

None of the Directors of the Company are in any way, concerned or interested in this item of business. It may be noted that all the Directors are Members of the Company.

Item No.5

In terms of Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, the Foreign Institutional Investors ("FIIs") registered with SEBI can acquire and hold on their own account and on behalf of their SEBI approved sub-accounts together, upto an aggregate limit of 24% of the paid-up Equity Share capital of an Indian company. The said regulations further provide that the limit of 24% can be further increased upto the sectoral cap/statutory ceiling as applicable, by passing a resolution of Board of Directors of the Company, followed by a special resolution to that effect by its Members.

At the Annual General Meeting of the Company held on 10th July, 2006, the Members by a Special Resolution, had increased the limit for investments by FIIs from 24% to 35% of the Company's paid-up Equity Share Capital.

As your Company proposes to raise funds through a QIP, this would evince potential interest from FIIs in the Company. Therefore, the Board of Directors had at its Meeting held on 29th November, 2010 decided to increase the aggregate permissible limit of the FIIs Equity Shareholding in the Company from 35% to 49% of the paid-up Equity Share Capital of the Company, subject to the approval of the Members.

Accordingly, the Resolution set out in Item No.5 of the Notice is proposed to enable the FIIs to acquire equity shares of the Company upto the revised ceiling limit of 49% of the paid-up Equity Share Capital of the Company under the Portfolio Investment Scheme of Reserve Bank of India.

The Board recommends the passing of the Resolution under Item No. 5 as a Special Resolution.

Your approval is sought by voting through Postal Ballot pursuant to the provisions of section 192A of the Act read together with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 for passing the Special Resolution as set out in this Notice.

None of the Directors of the Company is any way, concerned or interested in this item of business. It may be noted that all the Directors are Members of the Company.

By Order of the Board
For Mahindra & Mahindra Financial Services Limited

Arnavaz M. Pardiwalla
Company Secretary

Place : Mumbai

Date : 1st December, 2010