ANNEXURE 2

S.R. Batliboi & Co. LLP Chartered Accountants The Ruby, 14th floor, 29, Senapati Bapat Marg, Tulsi Pipe Road, Dadar (West), Mumbai – 400 028.	SSPA & Co. Chartered Accountants 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai – 400 058.

Dated: 3 December 2016

To

The Board of Directors

Mahindra & Mahindra Limited

Mahindra Towers,
Dr. G. M. Bhosale Marg,
Worli, Mumbai – 400018.

Sub: Recommendation of fair entitlement ratio of the minority shareholders of Mahindra Two Wheelers Limited relating to the proposed demerger of Two Wheelers business of Mahindra Two Wheelers Limited into Mahindra & Mahindra Limited

Dear Sir / Madam,

We refer to respective engagement letter whereby S.R. Batliboi & Co. LLP (hereinafter referred to as "SRBC") and SSPA & Co. (hereinafter referred to as "SSPA") are jointly appointed by Mahindra & Mahindra Limited (hereinafter referred to as "M&M" or "Client") for recommendation of fair entitlement ratio for the proposed demerger of Two Wheelers business (hereinafter referred to as "Target business") of Mahindra Two Wheelers Limited (hereinafter referred to as "MTWL") into M&M.

M&M and MTWL are hereinafter jointly referred to as the "Companies". The fair entitlement ratio for this report refers to number of equity shares of face value of INR 5/- each of M&M, which would be issued to the minority shareholders of MTWL in addition to their equity shareholding in MTWL. ("Fair Entitlement Ratio")

SRBC and SSPA are hereinafter jointly referred to as "Valuers" in this joint fair entitlement ratio report ("Report").

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SCOPE AND PURPOSE OF THIS REPORT

M&M is primarily engaged in automotive and farm equipment businesses in india and internationally. M&M was founded in 1945 and is headquartered in Mumbai. M&M's equity shares are listed on both BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). M&M has reported consolidated total revenue of INR 780.2 billion and profit after tax of INR 32.1 billion for the year ended 31 March 2016.

Mahindra Vehicle Manufacturers Limited ("MVML") is a wholly owned subsidiary of M&M.

MTWL is an indirect subsidiary of M&M and a direct subsidiary of MVML. MTWL is engaged in designing & manufacturing of scooters & motorcycles. MTWL was incorporated in 2008 and is headquartered in Pune. MTWL has reported consolidated total revenue of INR 7.0 billion and loss after tax of INR 6.2 billion for year ended 31 March 2016.

We understand that the management of the Companies ("Management") are contemplating demerger of the Two Wheelers business of MTWL into M&M ('Transaction') through a Composite Scheme of Arrangement ("Scheme") under the provisions of Section 391-394 and Section 100-104 of the Companies Act 1956 and Section 52 of the Companies Act 2013. As consideration for this Transaction, the minority shareholders of MTWL would be issued equity shares of M&M. The Fair Entitlement Ratio would be determined based on the value of each equity share of M&M and the equity value of Target business per equity share of MTWL.

We understand that the proposed appointed date for the demerger will be 01 October 2016.

For the aforesaid purpose, the Board of Directors of M&M have appointed the Valuers, to submit a joint Report recommending the Fair Entitlement Ratio, for the issue of M&M's equity shares to the minority shareholders of MTWL, to be placed before the Audit Committee/Board of Directors of the Client.

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of M&M and Target business, and report on the fair Entitlement Ratio for the Transaction in accordance with generally accepted professional standards.

The Valuers have been appointed jointly but have worked independently in their analysis. Both the Valuers have received information and clarifications from the Management of M&M and MTWL. The Valuers have independently arrived at different values per share of M&M and Target business. However, to arrive at the consensus on the fair Entitlement Ratio for the Transaction, appropriate rounding off has been done in the values arrived at by the Valuers.

We have been provided with audited financial statements of M&M and unaudited carved out financial statements of Target business for the year ended 31 March 2016

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and unaudited financial results for M&M and Target business for the half year ended 30 September 2016. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report. The current valuation does not factor impact of any event which is unusual or not in normal course of business.

We have relied on the above while arriving at the Fair Entitlement Ratio for the Transaction.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information about the Companies received from the Management and/or gathered from public domain:

- Annual reports for the year ended 31 March 2016 and earlier years for M&M.
- Unaudited financials of Target business, which is carved out from the audited financials of MTWL for the year ended 31 March 2016 and earlier years.
- Unaudited financial statements for half year ended 30 September 2016 for M&M and Target business;
- Financial projections for the period 01 October 2016 to 31 March 2022 for Target business of MTWL.
- Discussions with the Management of the Companies (by the Valuers) in connection with the business operations of the Companies, past trends and non-recurring/abnormal items, etc.;
- Draft Scheme of Arrangement;
- Other information and documents for the purpose of this engagement.

It may be noted that no projections for M&M were provided to us.

During the discussions with the Management of the Companies, we have also obtained explanations and information considered reasonably necessary for our exercise. The Client has been provided with the opportunity to review the draft Report (excluding the recommended of Fair Entitlement Ratio) as part of our standard practice to ensure that factual inaccuracy / omissions are avoided in our final Report.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) are based on the audited financial statements of M&M and unaudited carved out financial statements of Target business as at 31 March 2016, and unaudited financial statements for the half year period ended 30 September 2016. The Management has represented that the business activities of M&M and Target business including their subsidiaries and associates, as applicable, have been carried out in the normal and ordinary course between 30 September 2016 and the Report date and that no material adverse change has occurred in their respective operations and financial position between 30 September 2016 and the Report date.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Companies and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

The determination of Fair Entitlement Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single Entitlement Ratio. While we have provided our recommendation of the Entitlement Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Fair Entitlement

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Ratio of the equity shares of M&M and Target business. The final responsibility for the determination of the Fair Entitlement Ratio at which the proposed demerger shall take place will be with the Board of Directors of the Client, who should take into account other factors such as their own assessment of the proposed Transaction and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data.

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Management/Companies. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by the Companies. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management of the Companies that they have not omitted any relevant and material factors about the Companies and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/ on behalf of the Companies. The Management of the Companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.

The Report assumes that the Companies and their investee companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies and their investee companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies and their investee companies. Our conclusion of value assumes that the assets and liabilities of the Companies and their investee companies, reflected in their respective latest balance sheets remain intact as of the Report date.

We are not advisors with respect to legal, tax and regulatory matters for the Transaction.

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(24)

This Report does not look into the business/ commercial reasons behind the Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the Companies' (or their investee companies) claim to title of assets has been made for the purpose of this Report and the Companies' (or their investee companies) claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

The fee for the engagement is not contingent upon the conclusion of this Report.

We owe responsibility to only the Boards of Directors of the Client that has appointed us under the terms of our respective engagement letters and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Client, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Arrangement, without our prior written consent. In addition, this Report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of the Transaction and we express no opinion or recommendation as to how the shareholders of either Companies should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

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SHAREHOLDING PATTERN

Mahindra & Mahindra Limited

The issued and subscribed equity share capital of M&M as at 30 September 2016 is INR 2,963.2 million consisting of 62,10,92,384 equity shares of face value of INR 5 each. The shareholding pattern is as follows:

Shareholding Pattern as on 30-09-2016	No of Shares	% Share Holding
Promoter	15,75,00,895	25.36%
Public	43,02,39,580	69.27%
Non Promoter - Non Public*	3,33,51,909	5.37%

**represents equity shares underlying GDRs*
Source: BSE filing

Mahindra Two Wheelers Limited

The issued and subscribed equity share capital of MTWL as at 30 September 2016 is INR 29,983.9 million consisting of 2,998,389,216 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern as on 30-09-2016	No of Shares	% Share Holding
Mahindra Vehicle Manufacturers Limited	2,766,097,350	92.25%
Emerging India Fund	18,716,860	0.62%
Aay Kay Global	213,575,006	7.12%

Source: Management

APPROACH – BASIS OF DEMERGER

We understand from the Management that the proposed Scheme of Arrangement contemplates the demerger of Target business of MTWL into M&M. Arriving at the Fair Entitlement Ratio for the proposed demerger of Target business of MTWL into M&M would require determining the relative values of Target business attributable to each equity share of MTWL and the equity shares of M&M. These values are to be determined independently but on a relative basis, and without considering the current Transaction.

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There are several commonly used and accepted methods for determining the Entitlement Ratio for the proposed demerger of Target business of MTWL into M&M, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Price method
2. Comparable Companies Quoted Multiples method
3. Discounted Cash Flows method
4. Net Asset Value method

It should be understood that the valuation of any company/business or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of Companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Market Price ("MP") Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger/demerger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Comparable Companies' Quoted Multiple ("CCM") Method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle

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(27)

that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Discounted Cash Flows ("DCF") Method

Under the DCF method the projected free cash flows to the firm are discounted at the cost of capital. The sum of the discounted value of such free cash flows is the value of the firm. Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighed by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Net Asset Value ("NAV") Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach may be used in cases where the assets base dominates the earnings capability. A Scheme of Arrangement would normally be proceeded with, on the assumption that the companies/ Companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book values.

Out of the above methods, the Valuers have used methods as considered appropriate by them respectively.

BASIS OF DEMERGER

The basis of demerger of Target business of MTWL into M&M would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the above methods, for the purposes of recommending the Fair Entitlement Ratio of equity shares, it is necessary to arrive at a single value of Target business attributable to each equity share of MTWL and M&M. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of Target business and M&M but at their relative values to facilitate the determination of the Fair

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Entitlement Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each method.

The Fair Entitlement Ratio has been arrived at on the basis of a relative equity valuation of Target business attributable to each equity share of MTWL and M&M based on the various methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses, having regard to information base, key underlying assumptions and limitations.

Valuers, as considered appropriate, have independently applied methods discussed above and arrived at their assessment of value per share of the Target Business attributable to each equity share of MTWL and M&M. To arrive at the consensus on the Fair Entitlement Ratio for the proposed merger, suitable rounding off have been done in the values arrived at by the Valuers.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we consider that the Fair Entitlement Ratio for the proposed demerger of Target business of MTWL into M&M should be a ratio of 1 (One) equity share of M&M (of INR 5/- each fully paid up) for every 461 (Four Hundred and Sixty One) equity shares of MTWL (of INR 10/- each fully paid up).

We have examined only the fair and equitable basis for the fair exchange ratio for the shareholders and not examined any other matter including accounting and tax matters involved in the proposed merger.

Respectfully submitted,

For S.R. Batliboi & Co. LLP Chartered Accountants ICAI Firm Registration Number: 301003E/E300005 Ravi Bansal Partner Membership No: 049365 Date: 3 December 2016	**For SSPA & Co.** Chartered Accountants ICAI Firm Registration Number: 128851W SSPA & Co. CHARTERED ACCOUNTANTS MUMBAI Sujal Shah Partner Membership No: 045816 Date: 3 December 2016

MAHINDRA & MAHINDRA LTD. MUMBAI

(29)