

Mahindra Finance expands its global footprint, acquires 58.2% in Ideal Finance

Synopsis

Mahindra Finance entered into a contractual agreement with Ideal Finance in 2019, agreeing to acquire 58% stake by March 2021, which was mutually extended by both companies till September 2021. Mahindra Finance aims to replicate its business model with this investment in Ideal Finance thereby creating a leading financial services institution in Sri Lanka.



What is critical is the fact that Ideal Finance will provide financial leasing for both Mahindra and non-Mahindra vehicles.

Mahindra NSE -0.71% Financial Services, a leading non-banking financial company has put together a strategy to make Sri Lanka a preferred market going ahead. This after completing a 58.2% acquisition in Sri Lanka based Ideal Finance at an investment of Sri Lankan Rupees 2 billion, a move which gives a toehold in the growing financial services market

of that country.

Mahindra Finance entered into a contractual agreement with Ideal Finance in 2019, agreeing to acquire 58% stake by March 2021, which was mutually extended by both companies till September 2021. Mahindra Finance aims to replicate its business model with this investment in Ideal Finance thereby creating a leading financial services institution in Sri Lanka.

“Ideal Finance already has a suite of financial products that they offer to the Sri Lankan consumer. These include financial leasing offerings for automobiles and farm equipment, gold loans, business loans, consumer durable loans, personal loans etc. The company will continue to offer these products plus it will look at offering any other additional financial services product depending on customer requirements”, said Ramesh Iyer, VC & MD, Mahindra Finance.

Iyer mentioned that while Mahindra Finance has no plans to increase their stake beyond 58.2%, Ideal Finance would look at much more than only vehicle financing. “The company has a wide suite of financial product offerings like financial leasing offerings for automobiles and farm equipment, gold loans, business loans, consumer durable loans, personal loans etc.”, he said.

“This is a smart move for Mahindra Finance by going into a market like Sri Lanka which has similarities with India. It would give them the desired expertise paving the way to work in markets such as Bangladesh and Nepal in

future”, said VG Ramakrishnan, managing director of Avanteum Advisors.

Iyer reiterated that Sri Lanka has a well-regulated and mature financial services market, which had been growing steadily over many years, barring the years of the pandemic. “We expect the market to bounce back to good growth numbers once we are over this pandemic. Regarding other neighbouring markets, our company continuously studies various opportunities as and when they emerge. So we will continue to keep our eyes and ears open for those”, he said on a query of the company looking beyond Sri Lanka for expansion in the coming years.

What is critical is the fact that Ideal Finance will provide financial leasing for both Mahindra and non-Mahindra vehicles. The Sri Lankan market has a wide array of players such as **Tata Motors** [NSE -0.02 %](#) and **Ashok Leyland** [NSE 0.73 %](#) well entrenched in their market, especially in the commercial vehicle portfolio.

On the returns from their overseas ventures, Iyer said, “The JV that we have with DLL (**Rabo Bank** subsidiary) in the USA, in which MMFSL holds a 49% stake has posted an annual income of USD 61.9 Million and a PAT of USD 17.5 Million as of March 31, 2021 and we expect this JV to continue to post strong numbers. With Ideal Finance, we are currently working with our Sri Lankan partners to lay down the strategic roadmap for the company for the next 3 – 5 years, with clearly defined financial and operational milestones”.

Ideal Finance Ltd. (IFL), a non-banking financial Institution in Sri Lanka focuses on the rural and semi-urban sector. The Ideal Group has also been actively involved with Mahindra’s automotive sector over the years.

(Catch all the **Business News**, **Breaking News** Events and **Latest News** Updates on **The Economic Times**.)

Download **The Economic Times News App** to get Daily Market Updates & Live Business News.