

## **NAVISTAR AFFILIATE ENTERS JV WITH MAHINDRA & MAHINDRA TO MANUFACTURE DIESEL ENGINES IN INDIA**

*Auto*

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**WARRENVILLE, III:**A wholly owned affiliate of Navistar International Corporation (Other OTC: NAVZ), today signed a joint venture agreement with Mahindra & Mahindra Ltd. of India to produce diesel engines for medium and heavy commercial trucks and buses in India.

The joint venture, to be named Mahindra International Engines Ltd. (MIEL), will be 51 percent owned by Mahindra & Mahindra (M&M) and 49 percent owned by Warrenville, Ill.-based Navistar, North America's largest combined commercial truck, school bus and mid-range diesel engine producer. The combined investment of the two companies will be \$90 million over the next five years.

This marks the second such joint venture with M&M, India a leading automotive manufacturer, following a 2005 JV that today makes light, medium and heavy commercial vehicles for India and export markets. The new company's advanced diesel engines will power the full line of trucks and buses produced by the preceding JV beginning in 2009. Engine components will be sourced locally, going up to 85 percent within two years, due to the strong availability of quality parts and materials from Indian suppliers.

Anand Mahindra VC & MD, Mahindra Group, said 'This JV marks a significant milestone in M&M's quest to emerge as a leading customer-centric organization. Our state-of-the-art plant in India will produce world-class engine models for both the Indian and global export markets. The JV will not only extend our existing partnership with Navistar but the resulting synergies will also see MIEL emerge as a force to reckon with in the global OEM market.'

'This is another step in our global growth strategy to leverage our technologies, great products and manufacturing expertise worldwide to create scale and achieve a competitive cost structure,' said Daniel C. Ustian, Navistar chairman, president and chief executive officer. 'With an experienced partner like Mahindra and Mahindra, this represents an opportunity to enter India and a regional export market with trucks and engines as this region has tremendous growth potential for commercial vehicles and diesel power.'

Dr. Pawan Goenka, president, Automotive Sector, M&M, said 'This JV marks the second significant partnership between M&M and the Navistar affiliate, following a 2005 JV. The new company's technologically advanced diesel engines will power the full line of trucks and buses produced by the preceding JV by 2009. M&M's sourcing expertise will help the JV source up to 85 percent of engine components locally, due to availability of quality parts and materials from Indian suppliers. This will give us a strong competitive edge in the domestic market and help us leverage economies of scale.'

'The signing of this agreement extends our relationship with an outstanding company enabling us to participate in the growing India market by bringing advanced diesel technology that will support the growing environmental and commercial vehicle demands of India. India is a key to Navistar's growth

strategy as an emerging economy in which commercial truck sales are growing as the region's road and business infrastructure expands,' said Jack Allen, President, International Engine Group.

Mahindra International Engines Ltd. will build a new plant in India, with production start-up targeted for April 2009. Initial capacity of the greenfield site is projected to be 25,000 units per year, ramping up to 40,000 per year within five years. 'The first production engine will be a 7.2-liter, in-line design that has been very successful in commercial truck and bus applications in South America, and Mexico,' said Waldey Sanchez, president and chief executive officer, MWM-International, a wholly owned subsidiary of International Truck and Engine Corporation, another Navistar affiliate.

Sanchez went on to say, 'the technology and engineering behind this line of products marketed under the Acteon™ brand in South America and the MaxxForce™ brand in Mexico has assured success of the products in those regions.' Engine models, certified to Euro III and Euro IV emissions standards, will be optimized for the Indian markets and for export to other global markets under this joint venture.

The joint venture company will also provide sourcing services and engineering services to another Navistar affiliate, International Truck and Engine Corporation, which has operations in North and South America.

Both M&M and the Navistar affiliate will have five directors each on the board of Mahindra International Engines Ltd. Mahindra will appoint the chairman of the board and International will appoint the managing director.

M&M's Dr. Goenka and Jack Allen, president, Engine Group, International Truck and Engine Corporation, signed the joint venture agreement today in Chicago.

The Navistar affiliate will provide advanced diesel engine designs for the Indian market. The engines manufactured by the new JV will power the full line of medium and heavy commercial trucks.

International Truck and Engine Corporation is the operating company of Navistar International Corporation ( Other OTC: NAVZ). The company produces International® brand commercial trucks, mid-range diesel engines and IC brand school buses, Workhorse brand chassis for motor homes and step vans. The company is also a provider of truck and diesel engine parts and service sold under the International® and MaxxForce™ brands. The International Engine Group consists of North American and South American operations, with MWM-International (South America) being a wholly owned subsidiary of International. The North American operations focus on EPA compliant on-highway products ranging from 200 -475 horsepower, while the South American operations produces a broad line of high speed and medium speed EURO certified diesel engines ranging form 50 – 375 horsepower, sold under the Acteon™, Sprint™ and NGD™ brands. The following markets are served: pickup trucks, SUV's, vans, light, medium and heavy trucks and buses as well as agricultural, marine and stationary power units. Global engine group customers include Ford Motor Company, General Motors, Volkswagen, Volvo, Nissan, CHN and AGCO, among others. Additional information is available at [www.navistar.com](http://www.navistar.com).

### **About the Mahindra Group**

The US \$6 billion Mahindra Group is among the top 10 industrial houses in India. Mahindra & Mahindra is the only Indian company among the top three tractor manufacturers in the world. Mahindra's Farm Equipment Sector has recently won the Japan Quality Medal, the only tractor company worldwide to be bestowed this honour. It also holds the distinction of being the only tractor company worldwide to win the Deming Prize. Mahindra is the market

leader in multi-utility vehicles in India. It made a milestone entry into the passenger car segment with Logan.

The Group has a leading presence in key sectors of the Indian economy, including the financial services (Mahindra & Mahindra Financial Services Ltd, Mahindra Insurance Brokers Ltd., Mahindra Rural Housing Ltd.), trade and logistics (Mahindra Intertrade Ltd., Mahindra Steel Service Ltd., Mahindra Middleeast Electrical Steel Service Centre FZE, Mahindra Logistics) automotive components, information technology (Tech Mahindra, Bristlecone), and infrastructure development (Mahindra GESCO, Mahindra Holidays & Resorts India Ltd., Mahindra World City). With over 62 years of manufacturing experience, the Mahindra Group has built a strong base in technology, engineering, marketing and distribution which are key in its evolution as a customer-centric organization.

M&M has entered into partnerships with international companies like Renault SA, France, and International Truck and Engine Corporation, USA. Forbes has ranked the Mahindra Group in its Top 200 list of the World's Most Reputable Companies and in the Top 10 list of Most Reputable Indian companies. Mahindra has recently been honoured with the Bombay Chamber Good Corporate Citizen Award for 2006-07.

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