



**Mahindra & Mahindra Ltd.**

Mahindra Towers,  
Dr. G. M. Bhosale Marg, Worli,  
Mumbai 400 018 India

Tel: +91 22 24901441  
Fax: +91 22 24975081

REF: NS:SEC:

21<sup>st</sup> September, 2016

**National Stock Exchange of India Limited**  
"Exchange Plaza", 5<sup>th</sup> Floor,  
Plot No.C/1, G Block  
Bandra-Kurla Complex  
Bandra (East), Mumbai 400051.

**Bourse de Luxembourg**  
Societe de la Bourse de Luxembourg  
Societe Anonyme/R.C.B. 6222,  
B.P. 165, L-2011 Luxembourg.

**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai 400001.

**London Stock Exchange Plc**  
10 Paternoster Square  
London EC4M 7LS.

Dear Sir,

**Sub: Credit rating by CRISIL Limited**

CRISIL has assigned its 'CRISIL AAA/Stable' rating to the Rs.4.75-billion non-convertible debentures of Mahindra & Mahindra Limited (M&M) while reaffirming the existing instruments and facilities at 'CRISIL AAA/Stable/CRISIL A1+'.

Please find enclosed a press release in respect of the same.

Kindly take the above on record.

Yours faithfully,  
For MAHINDRA & MAHINDRA LIMITED

  
NARAYAN SHANKAR

✓ COMPANY SECRETARY

Encl: a/a

Z:\M & M DATA\Stock-Exchange\SE - Credit Rating - CRISIL AAA Stable - (21.09.2016).docx

**Rating Rationale**

September 21, 2016 | Mumbai

**Mahindra and Mahindra Limited**

'CRISIL AAA/Stable' assigned to NCD

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.11000 Million</b>
<b>Long Term Rating</b>	<b>CRISIL AAA/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A1+ (Reaffirmed)</b>

(Refer to Annexure 1 for Facility-wise details)

<b>Rs.4.75 Billion Non Convertible Debentures</b>	<b>CRISIL AAA/Stable (Assigned)</b>
<b>Rs.5.0 Billion Non Convertible Debentures</b>	<b>CRISIL AAA/Stable (Reaffirmed)</b>
<b>Rs.3.0 Billion Commercial Paper</b>	<b>CRISIL A1+ (Reaffirmed)</b>

CRISIL has assigned its '**CRISIL AAA/Stable**' rating to the Rs 4.75-billion non-convertible debentures of Mahindra and Mahindra Limited (M&M) while reaffirming the existing instruments and facilities at '**CRISIL AAA/Stable/CRISIL A1+**'.

The ratings continue to reflect a leadership position in the Indian tractor industry and healthy market position in the Indian utility vehicle (UV) and light commercial vehicle (LCV) segments. The ratings also factor in a strong financial risk profile, supported by a robust balance sheet with low leverage and high financial flexibility arising from a portfolio of business investments under a federal structure. These rating strengths are partially offset by exposure to inherent cyclical in the tractor and automotive (auto) segments, increasing competitive intensity in the UV and LCV segments, and exposure to risks pertaining to acquisitions and investments in subsidiaries and joint ventures (JV).

Strong market position in the tractor, UV, and LCV businesses will continue to support healthy business profile and steady cash flows. Company has maintained a market share of over 40% in the tractor segment over the past six years and also improved its market position in the LCV segment. Despite competitive pressures in the UV segment, M&M has a share of more than 50% in UV2 segment. For the period April to June 2016; M&M had a market share of 43.9% in the tractor segment and around 31.6% in the UV segment. Cost-efficient operations, development skills, broad product portfolio, and increased production capacity will enable the company to maintain its leading market position in the tractor, UV, and LCV segments over the medium term.

The company also has a successful track record in launching new products. With initiatives in joint development of engines and common sourcing, it will be able to leverage synergy benefits with SsangYong Motor Company over the medium term. Improving revenue and geographical diversity will enable the maintenance of a stable business risk profile, despite the impact of cyclical, competitive intensity, and moderate performance of some investments and business segments. This, along with healthy pricing power should ensure a stable operating profitability margin; exceeding 11% for last 5 fiscals.

The financial risk profile is strong because of a sizeable networth, conservative gearing, and surplus liquidity. Positive free cash flow should help maintain a strong financial risk profile, given moderate capital expenditure (capex) of about Rs 75 billion and investment requirement about Rs 25 billion, over the next three fiscals. Earnings before interest, tax, depreciation and amortisation will be sufficient to cover the capex and investments comfortably over three years. High financial flexibility is driven by the market value of investments which are currently valued much higher than the book value, and should provide access to funds through dilution of equity in subsidiaries whenever necessary. The strong financial risk profile enhances the cushion against the impact of cyclical and competitive intensity in the domestic auto sector.

However, the company is susceptible to cyclical in the tractor and auto industries. The demand for tractors remains vulnerable to the monsoon; a bad monsoon can result in high intra-cycle volatility in demand for tractors. Monsoon and its impact on tractor sales volumes will therefore be key rating sensitivity factors. The domestic auto industry has

also displayed a degree of cyclical in line with industrial growth, in the past. The company will remain exposed to the cyclical inherent in the tractor and auto businesses over the medium term. Also, the company is exposed to changes in regulation specially pertaining to diesel vehicles which may adversely impact its business risk profile which is a key monitorable.

M&M is a market leader in the UV industry (market share of more than 25% over the past five fiscals) and has a healthy market share in the LCV industry (over 40%). Healthy growth over the past few years has attracted a lot of players, which are expected to launch products in the UV and LCV segments in the next two to three years. With increasing competitive intensity, ability to launch new products and the success of these products are critical to maintain market position.

Given its growth aspirations and acquisitive intentions, M&M may seek opportunities in strategic acquisitions in key products and markets. CRISIL understands from the management that such acquisitions will be within the company's core line of business and support improvement in its business risk profile. CRISIL believes that, in spite of such acquisitions, CRISIL-adjusted gearing of less than 0.75 time will be maintained. In addition, some of the investments in segments such as two-wheelers, electric vehicles, and medium and heavy CVs are expected to remain in the investment mode over the medium term.

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of M&M and its ventures in the UV, tractor, CV, agriculture, and two-wheeler segments, which are considered as its core businesses. The company also has investments in subsidiaries in the information technology, financial services, hospitality, aerospace, consulting services, defence, energy, industrial equipment, logistics, real estate, retail, components, and steel industries. CRISIL believes that these subsidiaries will receive support from M&M, depending on their strategic importance to it, and the extent of its shareholding and investment in them. CRISIL has made financial adjustments to factor in this support. Adjustments have also been made for the assets and liabilities as per CRISIL's capital allocation approach for the financing business undertaken by Mahindra & Mahindra Financial Services Ltd.

### ***Outlook: Stable***

CRISIL believes M&M's strong financial risk position will help it absorb the impact of cyclical and competitive intensity in its core auto and farm equipment business, and the moderate performance of some investments.

### ***Downside scenario***

The outlook may be revised to 'Negative' if:

- \* Any large, debt-funded investments (including acquisitions), support to weak subsidiaries, or lower-than-expected cash flow leading to considerable weakening of the financial risk profile.

### ***About the Company***

M&M is among the leading tractor manufacturers in the world and is the market leader in the UV segment in India. The Mahindra group, through its subsidiaries and group companies, has a presence in varied sectors, such as information technology, financial services, and vacation ownership. In addition, it has a strong presence in the agribusiness, aerospace, components, consulting services, defence, energy, industrial equipment, logistics, real estate, retail, steel, commercial vehicles, and two wheeler industries.

In fiscal 2016, M&M on standalone basis reported operating income and net profit of Rs 408.8 billion and Rs 31.67 billion respectively, (Rs 389.5 billion and Rs 33.2 billion, respectively, in the previous fiscal). In the quarter ended June 30, 2016, operating income was Rs 119 billion and net profit Rs 9.6 billion (Rs 104.7 billion and Rs 8.5 billion, respectively, in the corresponding period of the previous fiscal).

**Annexure 1 - Details of various bank facilities**

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Letter of credit & Bank Guarantee	7000	CRISIL A1+	Letter of credit & Bank Guarantee	7000	CRISIL A1+
Working Capital Demand Loan	4000	CRISIL AAA/Stable	Working Capital Demand Loan	4000	CRISIL AAA/Stable
Total	11000	--	Total	11000	--

**Links to related criteria**

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Manufacturing Companies](#)

[CRISILs Criteria for Consolidation](#)

[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)

**For further information contact:**

Media Relations	Analytical Contacts	Customer Service Helpdesk
<b>Tanuja Abhinandan</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1818 M: +91 98 192 48980 B: +91 22 3342 3000 <a href="mailto:tanuja.abhinandan@crisil.com">tanuja.abhinandan@crisil.com</a>	<b>Sudip Sural</b> Senior Director - CRISIL Ratings <b>CRISIL Limited</b> B:+91 124 672 2000 <a href="mailto:sudip.sural@crisil.com">sudip.sural@crisil.com</a>	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301
<b>Jyoti Parmar</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1835 B: +91 22 3342 3000 <a href="mailto:jyoti.parmar@crisil.com">jyoti.parmar@crisil.com</a>	<b>Manish Kumar Gupta</b> Director - CRISIL Ratings <b>CRISIL Limited</b> B:+91 124 672 2000 <a href="mailto:manish.gupta@crisil.com">manish.gupta@crisil.com</a>	For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a>

## Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

## Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

## About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

## About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 95,000 MSMEs have been rated by us.

---

## CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit [www.crisil.com/privacy](http://www.crisil.com/privacy). You can view the Company's Customer Privacy at <https://www.spglobal.com/privacy>

Last updated: April 2016

## DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors

and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, [www.crisil.com](http://www.crisil.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <http://www.crisil.com/ratings/highlightedpolicy.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, [www.crisil.com](http://www.crisil.com). For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL