

REF:NS:SEC:

21st September, 2016

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

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

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

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

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Rating Rationale

September 21, 2016 | Mumbai

Mahindra and Mahindra Limited

'CRISIL AAA/Stable' assigned to NCD

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

(Refer to Annexure 1 for Facility-wise details)

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

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 cyclicalities 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 cyclicalities, 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 network, 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 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 cyclicalities and competitive intensity in the domestic auto sector.

However, the company is susceptible to cyclicalities 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 cyclicity in line with industrial growth, in the past. The company will remain exposed to the cyclicity 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 cyclicity 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 \(including Commercial Paper\)](#)

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