

REF:NS:SEC:
28th April, 2017

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: CARE reaffirms its ratings to Mahindra & Mahindra Limited as under:

Facilities	Amount (Rs. crore)	Ratings	Remarks
Long term Bank Facilities	184	CARE AAA; Stable (Triple A; Outlook:Stable)	Reaffirmed
Short term Bank Facilities	66	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	250 (Rupees Two Hundred and Fifty crore)		

Please find enclosed a Press Release issued by Credit Analysis & Research Limited.

Kindly take the above on record.

Yours faithfully,
For MAHINDRA & MAHINDRA LIMITED



 NARAYAN SHANKAR
COMPANY SECRETARY

Encl: as above

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Mahindra & Mahindra Ltd.

April 28, 2017

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Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Mahindra & Mahindra Ltd. (M&M) continue to take into account the healthy financial position of the company, its strong market position in the Indian tractor industry and the automobile industry, especially in the Utility vehicle (UVs) and Light commercial vehicles (LCVs). The ratings also factor in the company's strong and experienced management team and a diversified portfolio.

M&M has a strong financial profile marked by its low leverage position, comfortable debt coverage indicators, superior liquidity and high degree of financial flexibility which is essentially derived from significant market value of its key investments.

The company enjoys market leadership position in its key product segments; in the tractors segment, company holds a dominant 43% market share in YTD Feb 2017, it also holds a 29% market share in YTD Feb 2017 in the Utility Vehicles (UVs) segment and has also demonstrated a stable operating performance over a long period of time and across business cycles.

The rating strengths are moderated by the increasing competitive intensity and the reducing market share of the company in the UV segment. The rating also factors in the exposure of the company to the cyclicity of the automobile industry; however the same is partially mitigated by the diversified business portfolio of the company.

M&M's ability to maintain its leadership position in the key segments and any deterioration in the financial risk profile as a result of a large debt funded acquisition will be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong market position

M&M is the market leader in the UVs and tractor segments in India. The company holds leadership position in UV segment and tractor segments with strong market share of 29% and 43% respectively till YTD Feb 2017. All the

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

major segments have witnessed an uptick in the current year as a result of improvement in the macro-economic environment and good monsoon.

The company has also increased its focus on R&D and new product development and has spent Rs.2000 crore in FY 2016 on the same. The same will help the company develop vehicles with better technology, using different platforms and superior design.

Robust liquidity and profitability position

The leverage ratios of the company continued to remain strong. On a standalone basis, overall gearing improved from 0.23 times to 0.17 times in FY2016, other ratios such as total debt to GCA and interest coverage remained robust at 0.79 x and 34x respectively in FY16 this has been primarily on account of repayment of loans. Total borrowings have reduced from Rs. 3729 crores at the end of FY2015 to Rs. 2917 crores at the end of FY2016.

Furthermore, the working capital cycle continued to remain negative during FY16 due to the prudent inventory management and collection practices followed by the company.

Highly Experienced promoters and management

M&M is the flagship company of the USD 17.8 billion Mahindra group. The Executive Chairman of the company, Mr. Anand Mahindra, has significant experience within the industry and is assisted by a team of senior and seasoned professionals like Dr. Pawan Goenka, Managing Director, who drives the overall strategy of the company. Other than Mr Anand Mahindra and Dr. Pawan Goenka, the Board of Directors comprises several eminent personalities which include Mr Deepak Parekh (Independent Director of M&M, Chairman HDFC), Mr Nadir B Godrej (Independent Director of M&M, Chairman Godrej Industries Ltd.), Mr M MMurugappan (Independent Director of M&M, Vice Chairman, Muruggapa Group). The group has experience of over 7 decades in the Auto industry and over 5 decades in the Tractor industry in India and has demonstrated its ability to successfully navigate through multiple business cycles.

Key Rating Weaknesses

Macro-economic factors and the inherent cyclicity of the automobile industry

The core business of M&M is highly dependent on the economic stability and seasonality associated with the automobile industry. The company has been adversely impacted by the significant increase in competition especially in the UV segment, with the entry of Compact SUV, and has therefore witnessed significant reduction in its market share.

The same has partially mitigated by the diversified portfolio of the company and its presence across various businesses. Further, the tractor industry has witnessed a growth of 17 % during the year till February 2017. Over the same period, M&M's tractor volumes have grown by 22.5 %, with its market share increasing upto 43%.

Analytical approach

For arriving at the ratings of M&M, CARE has considered the consolidated financials of M&M and its key subsidiaries and associates that form the core business of the group. The financials have been adjusted in line with CARE's analytical approach to financial statements. Necessary adjustments have been made to the consolidated financials of M&M for Mahindra & Mahindra Financial Services Ltd (MFSL), subsidiary of M&M, a Non-Banking Financial Company (NBFC), primarily involved in the activity of financing of vehicles, including financing of M&M vehicles. Hence, the business and financial risk profile of M&M consolidated has been delineated from that of MFSL's. However, equity commitments, if any, to take care of MFSL's growth and compliance related requirements are considered in the overall analysis.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector - Commercial Vehicle Industry](#)

About the Company

Incorporated in 1945, Mahindra & Mahindra Ltd (M&M) is the flagship company of the USD 17.8 billion Mahindra group. The group, via various subsidiaries and joint ventures, is present in 10 business segments, across 20 industries – covering automotive, farm equipment, financial services, components, IT, hospitality, aerospace, logistics, consulting, agri business, defence, clean energy, industrial equipment, real estate & infrastructure, retail, steel, two-wheelers, aftermarket, boats and construction equipment.

M&M is one of the most diversified auto companies in India. Its core businesses include manufacture of auto [Passenger Vehicles (PV), Commercial Vehicles (CV), three-wheelers, two-wheelers etc.] and farm equipment (tractors and other farm equipment)etc.

On a consolidated basis, company posted Rs.79,288 crore of total income in FY2016 (refers to the period April 1 to March 31) as compared to Rs.72,607 in FY15. Consolidated PAT for FY2016 stood at Rs.3,351 crore as compared to Rs.3,384 crore in FY2015.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	66.00	CARE A1+
Fund-based - LT-Cash Credit	-	-	-	184.00	CARE AAA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-BG/LC	ST	66.00	CARE A1+	-	1)CARE A1+ (11-Apr-16)	-	1)CARE A1+ (25-Nov-14) 2)CARE A1+ (10-Oct-14) 3)CARE A1+ (07-Aug-14) 4)CARE A1+ (16-Apr-14)
2.	Fund-based - LT-Cash Credit	LT	184.00	CARE AAA; Stable	-	1)CARE AAA (11-Apr-16)	-	1)CARE AAA (25-Nov-14) 2)CARE AAA (10-Oct-14) 3)CARE AAA (07-Aug-14) 4)CARE AA+ (16-Apr-14)

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