

REF:NS:SEC:

5<sup>th</sup> April, 2018

**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)	Rating	Rating Action
Long term Bank Facilities	184	CARE AAA; Stable (Triple A; Outlook:Stable)	Reaffirmed
Short term Bank Facilities	66	CARE A1+ (A One Plus)	Reaffirmed
<b>Total Facilities</b>	<b>250</b> <b>(Rupees Two Hundred and Fifty crore)</b>		

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 5, 2018

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### Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Mahindra & Mahindra Ltd. (M&M) take into account the company's strong financial risk profile, its dominant market position in the Indian tractor industry and strong presence in the automobile industry, especially in the Utility Vehicle (UVs) and Light commercial vehicles (LCV) segment. The ratings also derive comfort from the presence of a strong management team and its experience in the industry.

M&M has a strong financial risk profile marked by its low leverage position, comfortable debt coverage indicators, superior liquidity and high degree of financial flexibility with the company being the flagship of the group.

The company enjoys market leadership position in its key product segments; in the tractors segment, company holds a dominant 43.5% market share till December 2017, it also holds a 24.7% market share in December 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 strong market position in the automotive business 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 tractor segment in India. The company holds leadership position in tractor from last three decades, in FY17 the company was holding 42.7% of market share which has increased to 43.5% in the 9MFY18. The company continues to have a healthy market share in the UV segment; however the same has reduced from 37.90% in FY16 to about 29.20 in FY17 and further to 25.01% in 9MFY18. In spite of the reduction in the market share, the company has been able to maintain a healthy revenue growth with steady volumes.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The company has a strong focus on Research and Development and has spent around Rs. 2200 crores in FY 2017 as capital expenditure; further a significant portion of this capex is directed towards developing new platforms and products. The same will help the company to bring vehicles with cutting edge technology, using different platforms and superior design.

### ***Robust liquidity and profitability position***

The leverage ratios of the company continue to remain strong. On a standalone basis, overall gearing improved to 0.14x as at March 31, 2017, from 0.17x as at March 31, 2016. Other ratios such as total debt to GCA and interest coverage remained robust at 0.65 x and 39.49x respectively as on 31<sup>st</sup> March 2017. The improvement in the ratios has been primarily on account of repayment of loans. The company continues to have a net cash position as the total debt reduced from Rs. 2917 crores as on 31<sup>st</sup> March 2016 to Rs. 2815 crores as on 31<sup>st</sup> March 2017 as against liquid investments which stood at Rs. 4684 crore as on March 31, 2016, and Rs. 5271 crore as on March 31, 2017.

Furthermore, the working capital cycle continued to remain negative during FY17 due to the prudent inventory and debtor management.

### ***Highly Experienced promoters and management***

M&M is the flagship company of the USD 19 billion Mahindra group. The Executive Chairman of the company, Mr. Anand Mahindra, has significant experience within the industry and is assisted by team of senior and seasoned professionals like Dr. Pawan Goenka, Managing Director. Other than Mr Anand Mahindra and Dr. Pawan Goenka, the Board of Directors comprises several eminent personalities which include 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 cyclicality 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.

#### ***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 19 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.85,095.26 crore of total income in FY17 (refers to the period April 1 to March 31) as compared to Rs.77,075 in FY16. Consolidated PAT for FY17 stood at Rs.4,050 crore as compared to Rs.3,554 crore in FY16

And on a standalone basis, the company has posted Rs. 44,764 crore of total operating Income in FY17 as against 41,555 in FY16 and for the same period PAT stands at 3,925 as compare to 3,237 of last year

Brief Standalone Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	41,555	44,764
PBILDT	5,299	5,748
PAT	3,237	3,925
Overall gearing (times)	0.17	0.14
Interest coverage (times)	28	39

A: Audited

Status of non-cooperation with previous CRA: NA

**Any other information:** Shri. S. B. Mainak, Hon'ble Chairman of Credit Analysis and Research Ltd (CARE) is a Non-executive Director in Mahindra and Mahindra Ltd. He is not a part of rating operations and does not participate in the rating process and the rating notes are not sent to him. To comply with the regulations The Hon'ble Chairman is required not to participate in the rating process and the rating committee meeting and press disclosure about the same to be made by the CRA

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - ST-BG/LC	ST	66.00	CARE A1+	-	1)CARE A1+ (28-Apr-17)	1)CARE A1+ (11-Apr-16)	-
2.	Fund-based - LT-Cash Credit	LT	184.00	CARE AAA; Stable	-	1)CARE AAA; Stable (28-Apr-17)	1)CARE AAA (11-Apr-16)	-

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