

REF:NS:SEC:

5th April, 2019

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: Mahindra & Mahindra Limited: Ratings re-affirmed.

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 CARE Ratings Limited in this regard.

Kindly take the above on record.

Yours faithfully,

For MAHINDRA & MAHINDRA LIMITED



 NARAYAN SHANKAR
COMPANY SECRETARY

Encl: as above

D:\SERVER BACKUP\M&M Data Server Backup\Stock-Exchange\SE- ICRA 29.06.2018.docx

Mahindra & Mahindra Ltd.

April 5, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	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)		

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 held a dominant market share of about ~41% till February, 2019, it also held market share of about ~25% in the Utility Vehicles (UVs) segment till February, 2019. M&M has 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 cyclical nature 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; it held market share of about ~41% till February, 2019. The company continues to have a healthy market share in the UV segment; however the same has reduced from 29.2% in FY17 to about 25.4% in FY18; the market share was about ~25% till February 2019. In spite of the reduction in the market share, the company has been able to maintain a healthy revenue growth with steady volumes. In order to combat competition, the company has already made some new launches in FY19 which include Marazzo, XUV300 and Altruas G4.

Highly Experienced promoters and management

M&M is the flagship company of the 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

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

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 M Murugappan (Independent Director of M&M). 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.

Robust liquidity and profitability position:

The leverage ratios of the company continue to remain strong. On a standalone basis, overall gearing improved to 0.13x as at March 31, 2018, from 0.14x as at March 31, 2017. Other ratios such as total debt to GCA and interest coverage remained robust at 0.60x and 63.29x respectively as on 31st March 2018. Furthermore, the working capital cycle continued to remain negative during FY18 due to the prudent inventory and debtor management.

Liquidity analysis:

The liquidity position of the company is comfortable as reflected by cash and cash equivalents of Rs.1988.61 crore and current investments of Rs.3125.42 crore as on December 31, 2018. Further, the company had unutilized fund based working capital limit of Rs.416.47 crore as on December 31, 2018.

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. In order to combat this, the Company has already made some new launches in FY19 which include Marazzo, XUV300 and Altruas G4. The diversified portfolio of the company and its presence across various businesses has helped to mitigate the risk of cyclical nature of the business.

Analytical approach: Standalone

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 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 standalone basis, the company has posted total operating Income of Rs.49,562.74 crore in FY18 as against that of Rs.45,251.49 crore in FY17 and PAT of Rs.4,356.01 crore in FY18 as against that of Rs.3,643.39 crore in FY17.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
------------------------------	----------	----------

Total operating income	45,251.49	49,562.74
PBILDT	5,712.65	7,101.21
PAT	3,643.39	4,356.01
Overall gearing (times)	0.14	0.13
Interest coverage (times)	35.80	63.29

A: Audited

Status of non-cooperation with previous CRA: Not applicable

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.

Analyst Contact:

Name: Ratnam Raju N

Tel: 022 – 6754 3578

Email: ratnam.nakka@careratings.com

****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 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+ (05-Apr-18)	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 (05-Apr-18)	1)CARE AAA; Stable (28-Apr-17)	1)CARE AAA (11-Apr-16)	-