

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:
21st September, 2022

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 Sirs,

Sub: India Ratings Affirms Mahindra & Mahindra & its NCDs at 'IND AAA'; Outlook Stable

Instrument Type	Date of issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs)	-	-	-	INR 14.750	IND AAA/Stable	Affirmed
Non-fund-based Limits	-	-	-	INR 3.525	IND AAA/Stable/ IND A1+	Affirmed
Fund-based limits	-	-	-	INR 8.65	IND A1+	Affirmed
Fund-based/non-fund-based limits	-	-	-	INR 10.5	IND AAA/Stable/IND A1+	Affirmed

Please find enclosed a Press Release issued by India Ratings & Research Private Limited in this regard.

Cont...2

-:2:-

Further, as per Regulation 55 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated 29th July, 2022, please find below details in respect of Credit Rating obtained for Non-Convertible Debentures issued by the Company from India Ratings and Research Private Limited:

Details of credit rating									
Current rating details									
Sr. No.	ISIN	Name of the Credit Rating Agency	Credit Rating Assigned	Outlook (Stable/ Positive/ Negative/ No Outlook)	Rating Action (New/ Upgrade/ Downgrade/ Re-Affirm/ Other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating Agencies	Date of Verification
1.	INE101A08088	India Ratings and Research Private Limited	IND AAA/Stable	Stable	Affirmed	-	21 st September, 2022	Verified	21 st September, 2022
2.	INE101A08104	India Ratings and Research Private Limited	IND AAA/Stable	Stable	Affirmed	-	21 st September, 2022	Verified	21 st September, 2022

Kindly take the above on record.

Yours faithfully,
For MAHINDRA & MAHINDRA LIMITED

NARAYAN SHANKAR
COMPANY SECRETARY

Encl: as above

India Ratings Affirms Mahindra & Mahindra & its NCDs at 'IND AAA'; Outlook Stable

Sep 21, 2022 | Auto & Ancillaries

India Ratings and Research (Ind-Ra) has affirmed Mahindra & Mahindra Limited's (M&M) Long-Term Issuer Rating at 'IND AAA'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs)*	-	-	-	INR14.750	IND AAA/Stable	Affirmed
Non-fund-based limits	-	-	-	INR3.525	IND AAA/Stable/IND A1+	Affirmed
Fund-based limits	-	-	-	INR8.65	IND A1+	Affirmed
Fund-based/non-fund-based limits	-	-	-	INR10.5	IND AAA/Stable/IND A1+	Affirmed

* Details in annexure

Analytical Approach : Ind-Ra continues to take a consolidated view of M&M and its subsidiaries (excluding its financial services subsidiary – Mahindra & Mahindra Financial Services Ltd (MMFSL; 'IND AAA/Stable')) while arriving at the ratings, because of the moderate strategic, operational and legal linkages among them.

Key Rating Drivers

Strong Market Position in Key Segments: M&M has maintained its leadership position in the domestic tractor market with around 42.7% market share in terms of volumes during 1QFY23 (FY22: 40%, FY21: 38.2%, FY20: 41.2%) with its three brands - Mahindra, Swaraj and Trakstar. M&M is also among the top two players in the light commercial vehicle ((LCV) goods carriers) segment with around 41.9% market share in 1QFY23 (FY22: 37.8%, FY21: 38.6%, FY20: 42.8%; source: Society of Indian Automobile Manufacturers). With new launches in the electric three-wheeler (e-3W) segment, the company held a dominant market share of 73.4% in the organised e-3W industry in FY22.

Diversified Business Profile: M&M has a diversified business profile with presence across segments including farm equipment, auto, defence, information technology, financial services, mobility services, hospitality, steel trading, automotive components and infrastructure. However, farm equipment and auto businesses together are the key revenue and profitability drivers. The standalone entity, which majorly derives its revenue and EBITDA from the auto and farm businesses accounted for over 73% and 80% of the revenue and EBITDA, respectively, of the consolidated entity (excluding MMFSL) in FY22. The diversified revenue stream shields the company's consolidated credit profile to an extent against demand variations in the individual business divisions.

The demand drivers for the auto segment (gross domestic product growth rate, disposable income, fuel prices, level of industrial production, interest rates) are different those for farm equipment (adequacy of rainfall, interest subvention schemes, cost of labour in rural areas). Thus, the demand cycles for products of the two divisions are independent of each other. Within these two divisions, the company has a wide range of product offerings at various price points to cater to different customer segments.

Conservative Financial Policy; Tightened Capital Allocation: With the intent of creating value for stakeholders, the company has tightened its capital allocation policy and continues to evaluate all its investments on criteria such as strategic benefit and financial returns (investments with a clear path to return on equity of 18%). Over FY21 and FY22, as a part of the same strategy, M&M exited from SsangYong Motor Company (SsangYong), Mahindra Tractor Assembly Inc. (GenZe), Mahindra First Choice Services and Gipps Aero Pty Ltd. Over the same period, M&M also divested from the metal fabrication business of Hisarlar in Turkey and restructured Mahindra Automotive North America business.

Strong Credit Profile: M&M's standalone and consolidated (excluding MMFSL) credit profile is characterised by low financial leverage and high coverage ratios. In FY22, the consolidated (excluding MMFSL) gross interest coverage (operating EBITDA/gross interest expense) remained strong at 14.6x (FY21: 9.7x) and the net adjusted leverage (adjusted debt (including corporate guarantee and lease liabilities) net of cash/EBITDA) was 0.1x (0.4x). The improvement in the credit profile in FY22 was largely on account of higher EBITDA levels (FY22: INR88 billion, FY21: INR77 billion). Ind-Ra expects M&M's credit metrics in FY23-FY24 to remain largely in line with FY22 levels due to the overall recovery in the domestic auto sector.

Revenue Recovered in FY22; Though Margins Dropped Amid Input Price Increase: The consolidated revenue (excluding MMFSL) increased to INR789 billion in FY22 (FY21: INR623 billion) mainly on account of 1) successful model launches in the utility vehicle (UV) segment which helped deliver volume growth of 44% on a yoy basis, 2) higher volumes in the LCV business amid cyclical recovery, and 3) improved realisation across both auto and farm segments as the company implemented price hikes to counter the impact of increasing input prices.

However, the EBITDA margins declined slightly to 11.1% in FY22 (FY21: 12.4%), primarily on account of a significant increase in the cost of raw materials and a change in product mix as growth in the margin-accretive tractor segment was fairly lower compared to that of the auto segment. However, the EBITDA margins benefitted from the improved performance of key subsidiaries as well as from the company's exit from certain loss-making businesses.

Ind-Ra believes the company's revenue will increase 10%-12% yoy in FY23, supported by a recovery in the auto industry as well new launches by the company. As the commodity prices have started to soften, the company's EBITDA margin could benefit from the same in 2HFY23. Overall, Ind-Ra expects margins to remain at around 11%-12% in FY23.

Liquidity Indicator - Superior: M&M had a strong consolidated cash balance (including current investments; excluding MMFSL) of INR151 billion at FYE22 (FYE21: INR135 billion). The standalone entity has total fund-based facilities of INR25.6 billion, the utilisation of which was nil for the 12 months ended June 2022.

Excluding MMFSL, M&M's free cash flow decreased to INR30 billion in FY22 (FY21: INR57 billion), despite improved profitability, primarily due to higher working capital related outflow, which was in line with higher sales, and an increased yoy dividend pay-out of INR 9 billion (INR3 billion). Capex was largely stable at INR57 billion in FY22 (FY21: INR59 billion).

The company plans to incur capex and investments of INR150 billion (reduced from INR170 billion earlier), over FY22-FY24, which includes capex towards electric platform development, new product development and capacity expansion in the auto and farm segments and investments in group companies. The capex is likely to be funded largely through internal accruals while for electric vehicle (EV) development, the company could consider equity participation from other investors. The company has earmarked INR40 billion for EV business over FY22-FY24, of which, British International Investment would be investing INR19 billion in the new EV entity for a stake in the range of 2.75% to 4.76%.

On a standalone basis, the company has scheduled repayments of INR19 billion (which was already repaid in 1HFY23) and INR23 billion in FY23 and FY24, respectively. Given the established access to the domestic banking system and debt capital markets, Ind-Ra expects M&M to refinance its debt comfortably. The agency estimates the free cash flow for FY22-FY23, along with the strong cash balances, and financial flexibility will be adequate to fund the debt repayments and dividend pay-outs over the stated period. On factoring in a support worth around 20% of MMFSL's debt, the company's liquidity ratio as per Ind-Ra's calculation stood at above 1.0x over FY23-FY25.

Improving Market Share in UV segment: In the UV segment, M&M has been reorienting its strategy; also, the product launches under this strategy in this segment have been fairly successful. Resultantly, the company was able to increase its market share to 16.2% in 1QFY23 (FY22: 15%, FY21: 14.7%). According to the management, the company holds a leading position with a revenue market share of 17.1% during 1QFY23 in the UV segment. The company has a strong order book and a strong product pipeline of new launches under its new strategy, including EV launches over the medium term; the same is likely to boost its market share. Nevertheless, Ind-Ra does not expect M&M's market share to reach historical levels of over 25% amid the intensifying competition in UV industry, with new product launches by peers and reducing life cycles of products in this segment.

Update on Ssangyong: In December 2020, M&M's 74.6% subsidiary Ssangyong defaulted on its loans. In FY22, Ssangyong was placed under court receivership process which has been finalised now and the rehabilitation plan has been prepared.. M&M has classified Ssangyong as discontinued operations in its FY21 financial statement. The management has indicated that there are no dues outstanding towards Ssangyong, and hence Ind-Ra believes it will have no major impact on M&M's credit profile or liquidity.

Lower Margins at Certain Subsidiaries Drag Metrics: On a standalone level, M&M reported a profit before tax margin of 11.2% in FY22 (FY21: 12.1%). The consolidated profit before tax margin (before exceptional items; excluding MMFSL) was lower than the standalone level at 9.4% in FY22 (FY21: 9.3%), due to losses or lower profitability at some of M&M's subsidiaries. The capital reallocation exercise has helped the company in improving the consolidated margins on a year-on-year basis. However, Ind-Ra expects the turnaround of subsidiaries could still take some time and their weak standalone operating performance could continue over the near-to-medium term.

Standalone Financials: The operating revenue was INR574 billion in FY22 (FY21: INR446 billion) and EBITDA was INR70 billion (INR69 billion). The company remained net debt negative over FY21 and FY22. The interest coverage (operating EBITDA/gross interest expense) remained strong at 31.6x in FY22 (FY21: 17.5x). In 1QFY23, the standalone revenues increased 67% yoy to INR196 billion while the EBITDA was INR23 billion (1QFY22: INR16 billion).

Rating Sensitivities

Negative: A negative rating action could result from a substantial weakening in M&M's market position in its key product segments and the quantum of capex/investment plans exceeding Ind-Ra's expectations and entailing debt funding, leading to pressure on the key credit metrics, resulting in the net leverage (M&M consolidated excluding MMFSL) exceeding 1.5x on a sustained basis could result in a rating downgrade.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on M&M, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

Company Profile

Incorporated in 1945 as an assembly unit, M&M is the flagship company of Mahindra Group. The company is 19.6% owned by promoters. M&M's business is diversified across farm equipment, auto and automotive components, real estate, hospitality, defence and aerospace, and financial services sectors. Furthermore, M&M has a significant market share in the LCV, tractors and UV space.

CONSOLIDATED FINANCIAL SUMMARY (excluding MMFSL)

Particulars	FY22	FY21
Revenue from operations (INR billion)	789	623
EBITDA (INR billion)	88	77
EBITDA margin (%)	11.1	12.4
Interest coverage (x)	14.6	9.7
Net adjusted leverage (x)	0.1	0.4
Source: M&M, Ind-Ra		
Note: Ind-Ra has arrived at these financials by de-consolidating MMFSL from M&M's consolidated financials.		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Size of Issue (billion)	Rating/Outlook	22 September 2021	10 December 2020	20 April 2020	13 April 2020	13 Au
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND A
NCDs	Long-term	INR14.750	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND A
Non-fund-based limits	Long-term/Short-term	INR3.525	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/S

Fund-based/Non-fund-based	Long-term/Short-term	INR10.5	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Fund-based limits	Short-term	INR8.65	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+

Annexure

ISIN	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
INE101A08088	September 2016	7.57	September 2026	INR4.750	IND AAA/Stable
INE101A08104	April 2020	6.78	April 2023	INR10.000	IND AAA/Stable

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs	Low
Non-fund-based limits	Low
Fund-based limits	Low
Fund-based/non-fund-based	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

Primary Analyst

Shruti Saboo

Associate Director

India Ratings and Research Pvt Ltd

DLF Epite, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002

0124 6687265

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Vivek Jain

Director

+91 124 6687249

Chairperson

Abhishek Bhattacharya
Senior Director and Head Large Corporates
+91 22 40001786

Media Relation

Ankur Dahiya
Senior Manager – Corporate Communication
+91 22 40356121

APPLICABLE CRITERIA

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.