Mahindra & Mahindra Ltd.
Mahindra Towers,
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Mumbai 400 018 India

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REF:NS:SEC:
25th September, 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: CRISIL Limited reaffirms its ratings to Mahindra & Mahindra Limited as under:

Total Bank Loan Facilities Rated	**Rs.1100 Crore**
Long-Term Rating	CRISIL AAA/Stable (Reaffirmed)
Short-Term Rating	CRISIL A1+ (Reaffirmed)

Rs.500 Crore Non-Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.300 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)
Rs.475 Crore Non-Convertible Debentures	CRISIL AAA/Stable (Assigned)

Please find enclosed a Press Release issued by CRISIL Limited.

Kindly take the above on record.

Yours faithfully,
For MAHINDRA & MAHINDRA LIMITED

NARAYAN SHANKAR
COMPANY SECRETARY

Encl: as above

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Rating Rationale

September 25, 2017 | Mumbai

Mahindra and Mahindra Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.1100 Crore**
Long Term Rating	**CRISIL AAA/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Rs.475 Crore Non Convertible Debentures	**CRISIL AAA/Stable (Reaffirmed)**
Rs.500 Crore Non Convertible Debentures	**CRISIL AAA/Stable (Reaffirmed)**
Rs.300 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the existing debt programmes and bank facilities of Mahindra and Mahindra Limited (M&M) 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 light commercial vehicle (LCV) segment. 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 cyclicality in the farm equipment (tractor) and automotive (auto) segments, exposure to risks pertaining to acquisitions and investments in subsidiaries and joint ventures (JV), and steady decline of market share in UV space.

Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of M&M and its ventures in the utility vehicles, commercial vehicles, two-wheelers, agri-business and farm equipment segments, which are considered as its core businesses. The company also has investments in subsidiaries in information technology, financial services, hospitality, aerospace, consulting services, defence, chemicals, 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.

Key Rating Drivers & Detailed Description
Strengths
*** Leadership position in Indian tractor industry; healthy market position in LCVs**
Strong market position in the tractor and LCV businesses will continue to support healthy business profile and steady cash flows. The 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. The company's market share in Indian tractor industry increased to about 43% in FY 2016-17 from about 41% in 2015-16, with growth of 23% in domestic tractor sales in fiscal 2017 as against 18% industry growth. Further, the company had a market share of over 47% in goods LCV (<7.5 tons) in 2016-17.

Cost-efficient operations, development skills, broad product portfolio, and increased production capacity will enable the company to maintain its market position in these segments over the medium term.

Improving revenue and geographical diversity will enable the maintenance of a stable business risk profile, despite the impact of cyclicality, competitive intensity, and moderate performance of some investments and business segments. This, along with healthy pricing power should ensure a stable operating profitability margin.

*** Healthy financial risk profile supported by conservative capital structure, significant market value of investments**
The financial risk profile is strong because of a sizeable networth, conservative gearing, and surplus liquidity. Positive free cash flow should help maintain a strong financial risk profile, given moderate capital expenditure (capex) and investments of about Rs 12,000 crore over the next three fiscals. The company's accruals are expected to be sufficient to cover the capex and investments comfortably in this period. High financial flexibility is driven by 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 cyclicality and competitive intensity in the domestic auto sector.

Weaknesses
*** Declining market share in UV segment**
Tepid success of recent launches, flagging sales of legacy models, amidst increasing competitive intensity in the UV space has resulted in the company losing substantial market share from more than 50% in FY 2011-12 to less than 30% in FY 2016-17. While the company has managed to hold a significant market share in larger UVs, its presence in the compact UV segment is much weaker. The UV market has shifted towards the compact segment; while competitive intensity in this space has increased owing to multiple product launches over the last few years.

Going ahead, efficacy of M&M's refreshed UV portfolio, along with successful launch of new products will be critical to avoid further weakening of its market position.

M&M is expected to leverage synergy benefits with SsangYong Motor Company over the medium term with initiatives in joint development of engines and common sourcing. CRISIL has also taken note of the company's proposed alliance with Ford Motor Company.

*** Exposure to cyclicality in automotive and tractors segments**
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 cyclicality in line with industrial growth, in the past. The company will remain exposed to the cyclicality 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.

*** Exposure to risks pertaining to acquisitions, and investments in subsidiaries and JVs**
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, conservative gearing will be maintained. In addition, some of the investments in segments such as electric vehicles and medium and heavy CVs are expected to remain in the investment mode over the medium term.

Outlook: Stable

CRISIL believes M&M's strong financial risk position will help it absorb the impact of cyclicality and competitive intensity in its core auto and farm equipment business, and the moderate performance of some investments.

Downside scenario

* 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.
* Further significant decline in UV market share, which results in considerable weakening of the company's overall market position in its automotive segment

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 presence in the agribusiness, aerospace, components, consulting services, defence, energy, industrial equipment, logistics, real estate, retail, steel, commercial vehicles, and two wheeler industries.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	43,932	40,996
Profit After Tax	Rs. Cr.	3,956	3,205
PAT Margins	%	9.0	7.8
Adjusted Debt/Adjusted Net worth	Times	0.12	0.15
Interest coverage	Times	33.8	25.5

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
INE101A08070	Debentures	04-Jul-2013	9.55%	04-Jul-2063	500.00	CRISIL AAA/Stable
INE101A08088	Debentures	27-Sep-2016	7.57%	25-Sep-2026	475.00	CRISIL AAA/Stable
NA	Commercial Paper	NA	NA	7-365 days	300.00	CRISIL A1+
NA	Working Capital Demand Loan	NA	NA	NA	400.00	CRISIL AAA/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	700.00	CRISIL A1+

Annexure - Rating History for last 3 Years

	Current			2017 (History)		2016		2015		2014		Start of 2014
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	300	CRISIL A1+		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL A1+
Non Convertible Debentures	LT	975	CRISIL AAA/Stable		No Rating Change		No Rating Change		No Rating Change	29-09-14	CRISIL AAA/Stable	CRISIL AA+/Stable
Fund-based Bank Facilities	LT/ST	400	CRISIL AAA/Stable		No Rating Change		No Rating Change		No Rating Change	26-12-14	CRISIL AAA/Stable	CRISIL AA+/Stable/ CRISIL A1+
										29-09-14	CRISIL AAA/Stable/ CRISIL A1+	
Non Fund-based Bank Facilities	LT/ST	700	CRISIL A1+		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL A1+

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Letter of credit & Bank Guarantee	700	CRISIL A1+	Letter of credit & Bank Guarantee	700	CRISIL A1+
Working Capital Demand Loan	400	CRISIL AAA/Stable	Working Capital Demand Loan	400	CRISIL AAA/Stable
Total	1100	--	Total	1100	--

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
CRISILs Criteria for Consolidation
Criteria for rating Short-Term Debt (including Commercial Paper)

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About CRISIL Limited

CRISIL is an agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

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About CRISIL Ratings
CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.