

REF:NS:SEC:
28th September, 2018

Tel: +91 22 24901441
Fax: +91 22 24975081

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

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

D:\SERVER BACKUP\M&M Data Server Backup\Stock-Exchange\SE - CRISIL Rating 28092018.docx

Ratings

CRISIL

An S&P Global Company

Rating Rationale

September 28, 2018 | Mumbai

Mahindra and Mahindra Limited

Rated amount enhanced

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.500 Crore Commercial Paper (Enhanced from Rs.300 Crore)	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 cyclicity 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 its market leadership in the domestic tractor industry with a market share of over 40% over the last decade (42.6% in 2017-18). Further, the company had a market share of about 44% in goods LCVs (<7.5 tons) in 2017-18.

Cost-efficient operations, research & development capabilities, 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 cyclicity, competitive intensity, and moderate performance of some investments and business segments of the company. 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 network, 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 15,000 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 cyclical and competitive intensity in the domestic auto sector.

Weakness

* Declining market share in UV segment

Temper success of previous 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 about 25% in FY 2017-18. 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. In this context, CRISIL has taken note of the new product launches in fiscal 2019 ' with Mahindra Marazzo launched in August 2018 and two more launches planned later in this fiscal. The success of these launches will be critical to avoid further weakening of its market position.

M&M is expected to continue leveraging synergy benefits with SsangYong Motor Company over the medium term with initiatives in joint development and common sourcing.

* Exposure to cyclical 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 cyclical in line with industrial growth, in the past. The company will remain exposed to the cyclical 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.

* 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. In addition, investments in segments such as electric vehicles and medium and heavy CVs are expected to sustain over the medium term. CRISIL understands from the management that most investments 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.

Outlook: Stable

CRISIL believes M&M's strong financial risk position will help it absorb the impact of cyclical 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 a leading manufacturer of Goods Light Commercial Vehicles (LCVs) in India. It also manufactures utility vehicles (UVs), medium and heavy commercial vehicles (MHCVs), three-wheelers, two-wheelers, and passenger cars. The company has manufacturing facilities in Mumbai, Nashik, Igatpuri, Nagpur and at Chakan (part of M&M's 100% subsidiary - Mahindra Vehicle Manufactures Ltd [MVML]), (all in Maharashtra), Zaheerabad (Andhra Pradesh), Rudrapur, Haridwar (both in Uttarakhand), and Jaipur (Rajasthan).

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, among others.

Key Financial Indicators*

Particulars for Period Ended March 31	Unit	2018	2017
Revenue	Rs. Cr.	48,686	44,054
Profit After Tax	Rs. Cr.	4,356	3,643
PAT Margins	%	8.9	8.3
Adjusted Debt/Adjusted Net worth	Times	0.1	0.1
Interest coverage	Times	55	28

*Standalone CRISIL adjusted numbers

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-13	9.55%	04-Jul-63	500.00	CRISIL AAA/Stable
INE101A08088	Debentures	27-Sep-16	7.57%	25-Sep-26	475.00	CRISIL AAA/Stable
NA	Commercial Paper	NA	NA	7-365 days	500.00	CRISIL A1+
NA	Fund based facilities	NA	NA	NA	350.00	CRISIL AAA/Stable
NA	Proposed Fund based facilities	NA	NA	NA	50.00	CRISIL AAA/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	700.00	CRISIL A1+

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	500.00	CRISIL A1+			25-09-17	CRISIL A1+	21-09-16	CRISIL A1+			CRISIL A1+
								30-03-16	CRISIL A1+			
Non Convertible Debentures	LT	975.00 28-09-18	CRISIL AAA/Stable			25-09-17	CRISIL AAA/Stable	21-09-16	CRISIL AAA/Stable			CRISIL AAA/Stable
								30-03-16	CRISIL AAA/Stable			
Fund-based Bank Facilities	LT/ST	400.00	CRISIL AAA/Stable			25-09-17	CRISIL AAA/Stable	21-09-16	CRISIL AAA/Stable			CRISIL AAA/Stable
								30-03-16	CRISIL AAA/Stable			
Non Fund-based Bank Facilities	LT/ST	700.00	CRISIL A1+			25-09-17	CRISIL A1+	21-09-16	CRISIL A1+			CRISIL A1+
								30-03-16	CRISIL A1+			

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Fund-Based Facilities	350	CRISIL AAA/Stable	Letter of credit & Bank Guarantee	700	CRISIL A1+
Letter of credit & Bank Guarantee	700	CRISIL A1+	Working Capital Demand Loan	400	CRISIL AAA/Stable
Proposed Fund-Based Bank Limits	50	CRISIL AAA/Stable	--	0	--
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 manufacturing and service sector companies](#)

[CRISILs Criteria for Consolidation](#)

[CRISILs Criteria for rating short term debt](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p>	<p>Subodh Rai Senior Director - CRISIL Ratings CRISIL Limited B:+91 124 672 2000 subodh.ra@crisil.com</p> <p>Manish Kumar Gupta Director - CRISIL Ratings CRISIL Limited B:+91 124 672 2000 manish.gupta@crisil.com</p> <p>Vardhman Rai Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 22 3342 3353 Vardhman.Rai@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading 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 1,00,000 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.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

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.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL