

REF:NS:SEC:
18th December, 2020

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 on the debt instruments and bank facilities of Mahindra & Mahindra Limited as under:

Total Bank Loan Facilities Rated	Rs. 1,350 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 Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs. 1000 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

Please find enclosed a Press Release issued by CRISIL Limited in this regard.

This Press Release has been issued by CRISIL Limited today on 18th December, 2020.

Kindly take the above on record.

Yours faithfully,
For MAHINDRA & MAHINDRA LIMITED



NARAYAN SHANKAR
COMPANY SECRETARY

Encl: as above

Ratings

Rating Rationale

December 18, 2020 | Mumbai

Mahindra and Mahindra Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.1350 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 Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.1000 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 'CRISIL AAA/Stable/CRISIL A1+' ratings on the bank facilities and debt instruments of Mahindra and Mahindra Ltd (M&M).

CRISIL notes that SsangYong Motor Company (SYMC), a subsidiary of M&M, missed payments totalling 60 billion Korean Won (KRW), equivalent to about Rs. 408 crore, on December 14, 2020. These repayments were due on loans totalling 100 billion KRW (about Rs. 680 crore). These select unsecured loans are covered by a guarantee from M&M to the extent not recovered from SYMC.

CRISIL's ratings on the facilities of M&M's rating remain unaffected by delay in servicing of the aforementioned loans by SYMC, given that it is expected to be adherent with the terms of guarantees extended on these loans. M&M is expected to discharge its liability towards these guarantees as per the terms agreed with the banks.

M&M had extended guarantees on the aforementioned loans availed by SYMC around the same time of announcing its intention to divest its stake in this entity. M&M has adequate liquidity and resources to honour these guarantees.

The ratings continue to reflect M&M's leadership in the Indian tractor industry and healthy market position in light commercial vehicles (LCVs), with the benefit of diversification also supporting the business profile. The ratings also factor in a strong financial risk profile, supported by a robust balance sheet with low leverage and high financial flexibility. These strengths are partially offset by exposure to cyclical inherent in the farm equipment (tractor) and automotive (auto) segments, exposure to risks pertaining to acquisitions and investments in subsidiaries/joint ventures (JVs), and decline in market share in the utility vehicle (UV) space over the last few years.

The Covid-19 pandemic has disrupted both the supply chain and end demand in the major segments M&M operates in the initial few months of fiscal 2021. However, demand has picked up since easing of restrictions, while production and distribution is also back on track.

Analytical Approach

CRISIL has combined the business and financial risk profiles of M&M and its ventures in the UV, CV and farm equipment segments, which are considered as its core businesses. The company also has investments in group entities in the agriculture, financial services, hospitality, aerospace, consulting services, defence, information technology, chemicals, energy, industrial equipment, logistics, real estate, retail, components, and steel industries. These group entities should receive support from M&M, depending on their strategic importance to it, and the extent of its shareholding and investment in them. CRISIL moderately consolidates SYMC given the limited financial support being extended to the entity.

CRISIL has made financial adjustments to factor in this support. For the financing business undertaken by Mahindra and Mahindra Financial Services Ltd ('CRISIL AA+/Stable/FAAA/Stable/CRISIL A1+'), CRISIL has made adjustments for its assets and liabilities as per its capital allocation approach.

Refer annexure for the details of entities consolidated as per CRISIL's approach and its analytical treatment.

Please refer Annexure - Details of Consolidation, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths

* Leadership in the Indian tractor industry and healthy market position in LCVs

The company has a leadership position in the domestic tractor industry in all major regions, and has maintained a market share of over 40% in the last decade, aided by its superior channel reach and understanding of market dynamics. It also has a strong presence in LCVs. Market share in the goods LCV (lower than 7.5 metric tonne [MT] gross vehicle weight [GVW]) division has been sustained at over 40% in the last five years, while the share in the pick-up segment (2.0-3.5 MT GVW) was over 60% during this period. The company's strong presence in these segments ensured healthy cash flow and fairly resilient profitability. Faced with the ongoing pandemic, tractors have demonstrated resilience thus far, aided by favourable monsoon rainfall. Moreover, LCVs have

performed better than their heavier counterparts.

Good product development capabilities, proficient channel management along with sufficient production capacity should help maintain strong market position over the medium term. This, along with revenue and geographic diversity, are likely to ensure a stable business risk profile, despite the impact of increasing competition and inherent cyclicality.

*** Superior financial risk profile supported by conservative capital structure, and significant market value of investments**

Financial risk profile is superior, owing to sizeable network, conservative gearing and surplus liquidity. Healthy free cash flow should help maintain a strong financial risk profile, especially given moderate planned capital expenditure (capex) and investments in the near term. Moreover, financial flexibility is significant because of investments in listed subsidiaries and associates, which are currently valued much higher than their book value. The strong financial risk profile provides cushion to counter the impact of cyclicality and competitive intensity in the domestic auto and tractor segments.

Weaknesses

*** Declining market share in intensely competitive UV segment**

M&M's market share in UVs fell to 25.4% in fiscal 2018 from 41.7% in fiscal 2014 and further to 20% in fiscal 2020 (excluding Ford JV), owing to expansion of UV market amidst increasing competitive intensity in this space, with tepid success of the company's launches in this period.

The company has leveraged its foreign subsidiaries such as Pininfarina SpA, Mahindra Automotive North America and SYMC for its recent product development. M&M has also announced a JV with Ford Motor Company Inc, USA with manufacturing capacity of 440,000 vehicles per annum and is jointly developing platforms for upcoming launches. Notwithstanding these initiatives, M&M's market position will continue to face exposure to increasing competitive pressures, given the entry of new players and large number of launches in this space. Moreover, given the discretionary nature of auto-purchases, the impact of the Covid-19 pandemic has been more severe on this segment.

*** Exposure to cyclicality in auto and tractors segments**

Demand for tractors remains vulnerable to monsoons. A bad monsoon can result in high intra-cycle volatility in demand for tractors. Moreover, availability of finance and other factors affecting rural income, such as crop prices and non-farm income, also constrain demand. Nevertheless, profitability has demonstrated resilience to downturns in industry volumes in the past, given the company's pricing power and cost efficiency. The domestic auto industry has also displayed a degree of cyclicality in line with industrial growth. Also, susceptibility to regulatory changes, especially pertaining to diesel vehicles, persists.

*** Exposure to risks pertaining to acquisitions, and investments in subsidiaries and JVs**

Given its growth aspirations and acquisitive strategy, M&M may seek opportunities in strategic acquisitions in key products and markets. Most of these acquisitions are likely to be in line with the company's key line of business and should strengthen business risk profile. Some of the investments in segments such as electric vehicles and medium and heavy CVs are in early stages and may remain in investment mode over the medium term, though the company is expected to remain conservative in its capital allocation. While some of M&M's legacy investments have been highly value-accretive, the performance of many of its recent investments has been tepid in terms of scale and profitability. Improvement in performance of recent investments will be a key monitorable.

Liquidity Superior

Cash accrual is projected at Rs 3,500-4000 crore in fiscal 2021, which along with and a large liquid surplus of about Rs 6,800 crore as on March 31, 2020 (M&M Standalone) supports M&M's liquidity. Cash accrual and surplus should be more than sufficient to meet incremental capex/investment plans, support working capital and meet long-term and short-term debt repayment obligations for fiscal 2021. Financial flexibility is further enhanced by access to capital markets and significant investments in listed subsidiaries/associates, which can be liquidated, if required.

Outlook: Stable

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

Rating sensitivity factors

Downward factors

* Any large, debt-funded investments (including acquisitions), support to subsidiaries, or lower-than-expected cash flow weakening the financial risk profile.

* Further decline in UV market share to below 20% (including Ford JV) coupled with significant negative free cash flow generation, on a sustained basis.

About the Company

M&M, incorporated in 1945, is among the leading tractor manufacturers in the world, and a leading manufacturer of goods LCVs in India. It also manufactures UVs, medium and heavy CVs, 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), (all in Maharashtra), Zaheerabad (Andhra Pradesh), Rudrapur and Haridwar (both in Uttarakhand) and Jaipur (Rajasthan).

The Mahindra group, through its subsidiaries and group companies, operates 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	2020	2019
Revenue	Rs crore	45,488	53,614
Profit after tax (PAT)	Rs crore	1,331	4,796
PAT margins	%	2.9	8.9
Adjusted debt/adjusted networth	Times	0.1	0.1
Interest coverage	Times	66	73

*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 and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity	Rating assigned with outlook
INE101A08070	Debentures	04-Jul-13	9.55%	04-Jul-63	500.00	Simple	CRISIL AAA/Stable
INE101A08088	Debentures	27-Sep-16	7.57%	25-Sep-26	475.00	Simple	CRISIL AAA/Stable
INE101A08112	Debentures	8-June-2020	6.19%	8-June-2025	500.00	Complex	CRISIL AAA/Stable
NA	Commercial paper	NA	NA	7-365 days	1000.00	Simple	CRISIL A1+
NA	Fund-based facilities*	NA	NA	NA	250.00	NA	CRISIL AAA/Stable
NA	Fund-based facilities	NA	NA	NA	100.00	NA	CRISIL AAA/Stable
NA	Working Capital Demand Loan	NA	NA	NA	1000.00	NA	CRISIL A1+

* Interchangeable with non-fund based facilities

Annexure - List of entities consolidated

Name	Consolidation
Mahindra Vehicles Manufacturing Ltd	Full consolidation
Mahindra Electric Mobility Ltd	Full consolidation
Mahindra Trucks and Buses	Full consolidation
Mahindra Heavy Engines	Full consolidation
SsangYong Motor Company	Moderate consolidation
Mahindra Engineering and Chemicals Ltd	Moderate consolidation
Mahindra Holidays and Resorts India Ltd	Moderate consolidation
Mahindra USA Inc	Moderate consolidation
Mahindra Susten Ltd	Moderate consolidation
Mahindra Aerospace Ltd	Moderate consolidation
Mahindra First Choice Wheels Ltd	Moderate consolidation
Mahindra Defence Systems Ltd	Moderate consolidation
Mahindra Logistics Ltd	Moderate consolidation
Mahindra Agri Solutions Ltd	Moderate consolidation
Mahindra EPC Irrigation Ltd	Moderate consolidation
Mahindra Lifespace Developers Ltd	Moderate consolidation
Mahindra and Mahindra Financial Services Ltd	Capital allocation

Annexure - Rating History for last 3 Years

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	1000.00	CRISIL A1+	28-09-20	CRISIL A1+	04-10-19	CRISIL A1+	28-09-18	CRISIL A1+	25-09-17	CRISIL A1+	CRISIL A1+
				29-05-20	CRISIL A1+	30-09-19	CRISIL A1+					
				09-04-20	CRISIL A1+							
Non Convertible Debentures	LT	1475.00 18-12-20	CRISIL AAA/Stable	28-09-20	CRISIL AAA/Stable	04-10-19	CRISIL AAA/Stable	28-09-18	CRISIL AAA/Stable	25-09-17	CRISIL AAA/Stable	CRISIL AAA/Stable
				29-05-20	CRISIL AAA/Stable	30-09-19	CRISIL AAA/Stable					
				09-04-20	CRISIL AAA/Stable							
Fund-based Bank Facilities	LT/ST	1350.00	CRISIL AAA/Stable/ CRISIL A1+	28-09-20	CRISIL AAA/Stable/ CRISIL A1+	04-10-19	CRISIL AAA/Stable	28-09-18	CRISIL AAA/Stable	25-09-17	CRISIL AAA/Stable	CRISIL AAA/Stable
				29-05-20	CRISIL AAA/Stable	30-09-19	CRISIL AAA/Stable					
				09-04-20	CRISIL AAA/Stable							
Non Fund-based Bank Facilities	LT/ST			29-05-20	CRISIL A1+	04-10-19	CRISIL A1+	28-09-18	CRISIL A1+	25-09-17	CRISIL A1+	CRISIL A1+
				09-04-20	CRISIL A1+	30-09-19	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*	250	CRISIL AAA/Stable	Fund-Based Facilities*	250	CRISIL AAA/Stable
Fund-Based Facilities	100	CRISIL AAA/Stable	Fund-Based Facilities	100	CRISIL AAA/Stable
Working Capital Demand Loan	1000	CRISIL A1+	Working Capital Demand Loan	1000	CRISIL A1+
Total	1350	--	Total	1350	--

* Interchangeable with non-fund based facilities

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

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