

Ref. NS: SEC
20th September, 2023

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: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - 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)	-	-	-	INR4.750 (reduced from INR14.750)	IND AAA/Stable	Affirmed
Non-fund-based Limits	-	-	-	INR 3.525	IND AAA/Stable/ IND A1+	Affirmed
Fund-based limits	-	-	-	INR4.50 (reduced from INR8.65)	IND A1+	Affirmed
Fund-based/non-fund-based limits	-	-	-	INR5.00 (reduced from INR10.5)	IND AAA/Stable/IND A1+	Affirmed

Please find enclosed a Press Release issued by India Ratings and Research Private Limited in this regard which was received by the Company on 20th September, 2023 at 6.35 p.m.

Cont...2

-2:-

Further, as per Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Master Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated July 29, 2022 (updated as on June 30, 2023), please find below details in respect of Credit Rating obtained for Non-Convertible Debentures ("NCD") issued by the Company from India Ratings & 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	-	20 th September, 2023	Verified	20 th September, 2023

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 20, 2023 | Passenger Cars & Utility Vehicles

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)*	-	-	-	INR4.750 (reduced from INR14.750)	IND AAA/Stable	Affirmed
Non-fund-based limits	-	-	-	INR3.525	IND AAA/Stable/IND A1+	Affirmed
Fund-based limits	-	-	-	INR4.50 (reduced from INR8.65)	IND A1+	Affirmed
Fund-based/non-fund-based limits	-	-	-	INR5.00 (reduced from 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

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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 42.9% market share in terms of volumes during 1QFY24 (FY23: 41.2%, 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 49% market share in 1QFY24 (FY23: 45.5%; FY22: 37.8%, FY21: 38.6%; 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 around 66% in the organised e-3W industry in FY23.

Diversified Business Profile: M&M has a diversified business profile with a 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 78% and 84% of the revenue and EBITDA of the consolidated entity (excluding MMFSL), respectively, in FY23. The diversified revenue stream shields the 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 from 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 not completely dependent 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.

Strong Credit Profile: M&M's standalone and consolidated (excluding MMFSL) credit profile is characterised by low financial leverage and high coverage ratios. In FY23, the consolidated (excluding MMFSL) gross interest coverage (operating EBITDA/gross interest expense) remained strong at 16.8x (FY22: 14.6x) and company was net debt negative (including corporate guarantee and lease liabilities) in FY23. The improvement in the credit profile in FY23 was largely on account of higher EBITDA levels (FY23: INR124 billion, FY22: INR88 billion) as well as a reduction in the overall debt (excluding MMFSL). Ind-Ra expects M&M's credit metrics in FY24-FY25 to remain largely in line with FY23 levels due to the overall recovery in the domestic auto sector.

Strong Revenue Growth in FY23; Improvement in EBITDA

Margin: The consolidated revenue (excluding MMFSL) increased to INR1,087 billion in FY23 (FY22: INR789 billion) mainly on account of: i) volume traction in new model launches in the auto segment in FY22 and the utility vehicle (UV) segment in FY23, leading to a 60% yoy growth in volume in FY23, ii) higher volumes in the LCV business amid cyclical recovery, and iii) improved realisation across both auto and farm segments as the company implemented price hikes to counter the impact of increasing input prices.

The EBITDA margins also increased to 11.4% in FY23 (FY22: 11.1%), primarily led by an increase in margins in auto as well as farm equipment segments. The EBITDA also benefitted from the improved performance of key subsidiaries as well as from the company's exit from certain loss-making businesses.

Ind-Ra expects the consolidated revenue to increase 6%-9% yoy in FY24, supported by a sustained volume growth in the auto industry as well as new launches in farm equipment segment. Ind-Ra expects EBITDA margin to remain at 10.5%-11% in FY24, given that price hikes on account of increase in raw material prices have already been passed on to the customers and operating leverage with scale will be the key driver for margins FY24 onwards in its key businesses of auto and FES.

Liquidity Indicator - Superior: M&M had a strong consolidated cash balance (including current investments; excluding MMFSL) of INR185 billion at FYE23 (FYE22: INR151 billion). The standalone entity has total fund-based facilities of INR10.7 billion, the utilisation which was nil for the 12 months ended June 2023. Excluding MMFSL, M&M's free cash flow increased to INR 37 billion in FY23 (FY22: INR30 billion), largely led by improved operating performance in the auto as well as farm equipment segments. The capex was largely stable at INR59 billion in FY23 (FY22: INR57 billion).

The company plans to incur capex and investments of INR159 billion (increased from INR150 billion earlier), over FY22-FY24, which includes capex towards electric platform development, new product development and capacity expansion in the auto segments and investments in group companies. The capex is likely to be funded largely through internal accruals while for the electric vehicle (EV) development, the company is considering equity participation from other investors and has already got investors tied in for EV business-related subsidiaries – Mahindra Last Mile Mobility Ltd and Mahindra Electric Automobile Ltd. The company has earmarked INR32 billion for EV business over FY22-FY24. In addition to this, British International Investment and Temasek would be investing INR19 billion and INR 12 billion, respectively, in Mahindra Electric Automobile Ltd.

On a standalone basis, the company has scheduled repayments of INR 34.12 billion in FY24 (including prepayments in 1QFY24). Given the established access to the domestic banking system and debt capital

markets, Ind-Ra expects M&M to refinance/repay its debt comfortably. The agency estimates the free cash flow for FY24-FY25, 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 of around 20% of MMFSL's debt, the company's liquidity ratio as per Ind-Ra's calculation will be above 1.0x over FY24-FY26.

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 18% in FY23 (FY22: 15%, FY21: 14.7%). The company has now redrawn its UV strategy to more rugged, adventure capability, differentiated sport utility vehicles, and the past few launches in line with the renewed strategy have been successful. The company has a strong order book and product refreshes being planned 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 the UV industry, with new product launches by peers and reducing life cycles of products in this segment.

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-FY23, as a part of the same strategy, M&M exited from Mahindra Tractor Assembly Inc. (GenZe) and Mahindra First Choice Services. Over the same period, M&M also divested from the metal fabrication business of Hisarlar in Turkey and restructured Mahindra Automotive North America business.

Lower Margins at Certain Subsidiaries Drag Metrics: On a standalone level, M&M reported a profit before tax margin of 10% in FY23 (FY22: 11%). The consolidated profit before tax margin (before exceptional items; excluding MMFSL) was lower than the standalone level at 9% in FY23 (FY22: 8%), 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 is an ongoing process and the same needs to be monitored over a period of time for its performance.

Standalone Financials: The operating revenue was INR849 billion FY23 (FY22: INR578 billion) and EBITDA was INR104 billion (INR70 billion). The company remained net debt negative over FY21-FY23. The interest coverage remained strong at 38.3x in FY23 (FY22: 31.1x). In 1QFY24, the standalone revenue increased 22% yoy to INR241

billion while the EBITDA was INR33 billion (1QFY23: INR 23 billion) with an EBITDA margin of 13.5% (11.8%).

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 a pressure on the key credit metrics, resulting in the net leverage (M&M consolidated excluding MMFSL) exceeding 1.5x on a sustained basis.

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, technology services and financial services sectors. Furthermore, M&M has a significant market share in the LCV, tractors and UV space.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue from operations (INR billion)	1087	789
EBITDA (INR billion)	124	88
EBITDA margin (%)	11.4	11.1
Interest coverage (x)	16.8	14.6
Net adjusted leverage (x)	Net cash	0.1
Source: M&M, Ind-Ra		
Note: Ind-Ra has arrived at these financials by de-consolidating MMFSL from M&M's consolidated financials.		

Non-Cooperation with previous rating agency

Not applicable

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	21 September 2022	22 September 2021	
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IN
NCDs	Long-term	INR4.750	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IN
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+	A.
Fund-based/bon-fund-based limits	Long-term/Short-term	INR5.00	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	A.
Fund-based limits	Short-term	INR4.50	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	INR4.75	IND AAA/Stable
INE101A08104	April 2020	6.78%	April 2023	INR10.0	WD (paid in full)

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

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

Contact

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