Mahindra & Mahindra Ltd.
Mahindra Towers,
Dr. G. M. Bhosale Marg,
Worli, Mumbai 400 018 India

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Fax: +91 22 2490 0833
www.mahindra.com

Ref. NS: SEC
29th August, 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: CARE Ratings Limited Reaffirms Ratings for existing Bank facilities of Mahindra & Mahindra Limited

Facilities/Instruments	Amount (Rs. crore)	Rating	Rating Action
Long-term bank facilities	582.20 (Reduced from 786.95)	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	10.00 (Reduced from 600.00)	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	538.58 (Enhanced from 53.58)	CARE A1+	Reaffirmed

Please find enclosed a Press Release issued by CARE Ratings Limited in this regard on 29th August, 2023.

Further, since **there is no Credit Rating obtained from CARE Ratings Limited for the Non-Convertible Debentures issued by the Company**, the requirement of providing details as per Regulation 55 of the Securities and Exchange Board of India (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) is not applicable.

Kindly take the above on record.

Yours faithfully,
For MAHINDRA & MAHINDRA LIMITED

NARAYAN SHANKAR
Digitally signed by NARAYAN SHANKAR
Date: 2023.08.29 22:43:08 +05'30'

NARAYAN SHANKAR
COMPANY SECRETARY

Encl.: as above

Mahindra & Mahindra Limited

August 29, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	582.20 (Reduced from 786.95)	CARE AAA; Stable	Reaffirmed
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Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings for the bank facilities of Mahindra & Mahindra Limited (M&M) continues to factor its strong market position with leadership in the domestic tractor industry, light commercial vehicles (LCV) segment and electric vehicle (EV)-three-wheeler segment and well-diversified business profile. The ratings also consider the robust financial risk profile driven by strong capital structure and debt coverage metrics, along with financial flexibility supported by large cash and liquid investments. CARE Ratings Limited (CARE Ratings) also notes that M&M holds investments in some of the listed group entities where the market value of investments is higher than the book value thus providing additional financial flexibility.

The rating strengths are moderated by exposure of the company to inherent cyclicality of the automobile industry and increasing competition in utility vehicle (UV) segment which is mitigated to an extent through diversified business portfolio. The company is also exposed to the risks on account of investments in subsidiaries/ joint ventures (JV); however, CARE Ratings has taken cognisance of the management's strategy on appropriate capital allocation across group companies.

During FY23, M&M recorded a healthy revenue growth of 46.7%* driven by volume growth and higher realisations. The market share for domestic tractor improved to 41.2% (PY: 40%) in FY23, while LCV goods market share was 43% in FY23. The operating margins remained stable at 11.46%* in FY23 despite a 51.7%* increase in the cost of goods sold. Going forward, CARE Ratings expects M&M to maintain its growth momentum, and also notes that with softening of the raw material prices, the margins are expected to improve.

Rating sensitivities: Factors likely to lead to rating actions

Negative factors

- Any large debt-funded organic or inorganic investments leading to deterioration in the overall gearing.
- Significant deterioration in the volumes of core business segments impacting market position and deterioration in profitability and cashflow on a sustained basis.

Analytical approach:

CARE Ratings has adopted a Standalone approach for arriving at the ratings of M&M and its ventures in the UV, commercial vehicles (CV) and farm equipment (FE) segments, which are considered its core businesses. CARE Ratings has also factored in the support required to be extended by M&M to its group companies.

On a consolidated basis, M&M is into varied sectors like Information Technology, Hospitality, Real Estate, Logistics, Retail, Renewable Energy, Defence and Finance (lending) among others. In the consolidated financials, the gearing and the financial position of the consolidated entity gets impacted due to the debt levels and gearing of the financial services subsidiary – Mahindra and Mahindra Financial Services Ltd (MMFSL). Hence, CARE Ratings has been analysing the company on the basis of combined financials of the core businesses of the company, namely, auto and farm equipment which are currently housed in M&M (standalone), and the simple consolidated approach has not been considered.

Outlook: Stable

Stable outlook is assigned to the ratings of M&M due to the strong financial risk profile which should help soften the impact of cyclicality and competition inherent to the automotive industry. Being the market leader in tractor & farm equipment coupled with adequate rainfall in most parts of the country is expected to further bring enhancement in operations.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

 *as per CARE Rating Methodology

Detailed description of the key rating drivers:

Key strengths

Strong market position:

M&M mainly operates in two major segments, automotive and FE. In the FE segment, the company has retained the #1 position for the 40th consecutive year with a market share of 41.2% as on March 31, 2023. As the tractor industry witnessed a growth of 12.2% domestically and a degrowth of 3% in exports, M&M witnessed a yearly growth of 15.57% in the domestic segment and a marginal growth of 2.09% in exports. For Q1FY24, the company saw further enhancement in the market share by 50 bps at 42.6% YoY.

In the Auto segment, the company has posted a massive growth in the UV sub-segment of 59.6% vis-à-vis industry growth of 34.5% in FY23 owing to increase in the consumer preferences for vehicles of SUV genre as well as due to new launches at M&M. With over 10,000 bookings for their newest electric vehicle (EV) offering (XUV400) coupled with new variants of existing models, the company saw an increase in the revenue market share from 15% in FY22 to 17.8% in FY23 and further increase to 20.2% in Q1FY24. In the CV segment, the company holds #1 position in the LCV<3.5T sub-segment with 59.7% market share; the LCV<3.5T sub-segment accounts for 55% of the total CV industry.

Strong operating performance with improvement in margins to continue:

The auto industry has been facing headwinds since the past couple of years due to economic slowdown and regulatory changes like axle load norms and transition to BS VI (phase 2) norms, which was further exacerbated by the onslaught of COVID-19 and the supply chain disruptions caused by pro-longed Russia-Ukraine war. Despite the volatile market conditions, M&M reported a significant increase of 46.7%* in the total operating income (TOI) in FY23 on account of overall increase of 50% in auto volumes sold and realisations. The operating profits increased by 45.95%*, however, operating margins remained stable at 11.45% YoY mainly due to volatile raw material prices led by international upheaval, high inflation around geographies, and the elongated shortage of semi-conductors in the first half of FY23. Profit before interest and tax (PBIT) for the auto segment increased to 4.88% (PY: 3.76%) and tractor segment declined to 16.41% (PY: 18.11%).

CARE Ratings notes that the tractor industry is said to follow strong cyclicity with a drop/slow-down after every 3-4 years therefore is expected to grow in low single digits in FY24.

Robust financial risk profile combined with high cash and liquid investments:

M&M had robust capital structure and debt coverage indicators marked by overall gearing of 0.15x (PY: 0.18x) as on March 31, 2023, owing to repayment of term loan and reduction in stake of loss-making companies as a part of the Capital Allocation Strategy. This combined with cash and liquid investment to the tune of ₹14,410 crore in FY23 with continued net-debt free status. The company plans to incur capex and investments of around ₹15,900 crore over FY22-FY24. The capex is towards electric platform development, new product development and capacity expansion in the auto and farm segments and investments in group companies would majorly be funded through internal accruals. CARE Ratings believes that despite the capex execution, M&M's financial risk profile would continue to remain robust and net debt free over the medium term.

Highly experienced promoters and management:

M&M is the flagship company of the Mahindra group with the track record of more than 75 years of operations. This group via its subsidiaries and joint venture is present in 20 industries, across 10 sectors, including farm equipment, automotive, financial services, leisure and hospitality, real estate, logistics among others. The Non-Executive Chairman of the company, Anand Mahindra, has significant experience within the industry and is assisted by team of senior and seasoned professionals, including Dr Anish Shah, Managing Director and CEO, who has worked across multiple industries. Along with strong competent management team with a long track record in the industry, the company has ensured strong corporate governance practices and a prudent approach to management with an operational oversight over its group companies.

Key weaknesses

Auto business prone to macro-economic factors, inherent cyclicality as well as competition:

The CV business of M&M [especially medium & heavy commercial vehicle (MHCV)] is highly correlated with economic cycles, and hence, displays significant variation in revenues over economic cycles. The passenger vehicle business, although more stable in comparison, is impacted by rising fuel prices and the consequent increase in overall inflation. CARE Ratings notes that these risks are to an extent mitigated by the relatively more stable sales in the tractor segment, where the key demand driver is the level of rural incomes which in turn is tied to adequacy of rainfall and farm output.

M&M has been adversely impacted by the significant increase in competition and EV innovations especially in the UV segment, particularly with the introduction of compact SUVs by international competitors. In order to combat this, the company has created new model and different variants of their UV portfolio. The company is on track to launch electrified versions of the existing model and is expected to launch its first ever Born Electric (BE) vehicle by December 2024. It also has a pipeline of new EV

*as per CARE Rating Methodology

models to be launched by FY26. CARE Ratings believes that although launching of new models will help the company boost volumes, over the long term, M&M would continue to be exposed to the intense competition in the auto sector.

Exposure to group companies:
The company has adopted a calibrated approach towards investment in subsidiaries and accordingly has identified companies which would continue to be investible [companies yielding at-least 18% return on equity (RoE) or those which are strategic in nature]. Over FY22-FY24, the company has provided guidance for investment outlay of ₹2,000 crore in auto and farm companies and ₹1,600 crore in other group companies. CARE Ratings will continue to monitor the higher-than-envisaged investment, going forward.

Liquidity: Strong
M&M continues to have a strong liquidity position with significant cash and cash equivalents to the tune of ₹14,410 crores* as on March 31, 2023 and unutilised fund-based bank lines of ₹1,256 crore. M&M also holds large investment in group companies (listed) having high market value. In FY23, the cashflow from operations after working capital changes and taxes increased to ₹9,129.30 crore (PY: ₹6,976.73 crore) mainly led by increase in the trade payables coupled with slow-moving inventory owing to maximum capacity utilisation and slower production. The company has done a repayment of ₹1,250 crore in Q1FY23 and reduced the overall long-term debt of the firm. Furthermore, in FY24, the company has repaid debt of ₹3,300 crore. CARE Ratings expects the liquidity profile to remain strong despite the planned capex and investment of ₹15,900 crore over FY22-FY24, which are expected to be met through internal accruals. M&M enjoys strong financial flexibility with easy access to market and large investments in its group companies (listed).

Environment, social, and governance (ESG) risks

M&M has identified various material issue parameters and the approach to adapt the opportunity or mitigate the risk with financial implications: (a) Water Security: As the company identifies it as risk, the company utilises various global tools to identify the water risk across the operational sites and value chain. While optimising the usage of water through various water efficiency measures, the company carries out rainwater harvesting and recycling and recharging of ground water. (b) Carbon Emissions: With an exhaustive plan, M&M plans to manage this risk by managing the Greenhouse Gas (GHG) emissions and has committed for carbon pricing with the commitment to reduce carbon intensity by 47% by FY34. The company is also focusing on increasing the market share of the EV portfolio which also proves to be an opportunity for the company.
M&M has achieved empowerment of underprivileged girls to complete their schooling, increase employability of women and increase green cover and livelihood of marginalised farmers through CSR activities. To avoid unsafe accidents, the company has implemented various standard practices, for example, ISO certification for all sites, instituting safety mechanisms based on recognised Kaizen and Poka-Yoke concepts.
M&M's governance articulates that their goal is to be a carbon neutral company by 2040. The company has also joined the 'First Movers Coalition' to work towards driving demand for zero-carbon technologies at the World Economic Forum. M&M governance for risk management framework works at various levels across the enterprise for managing and reporting risks. With the governance structure characterised by majority of its board comprising independent directors, the company has three guiding principles: 'Do more with less, do it together, and do it for all'.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Commercial Vehicle
Manufacturing Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Passenger Cars & Utility Vehicles

*as per CARE Rating Methodology

Incorporated in 1945, Mahindra & Mahindra Limited (M&M) is the flagship company of the Mahindra Group. The group, via various subsidiaries and joint ventures, is present in 20 industries, across 10 sectors. Its core businesses include manufacture of auto [passenger vehicles (PV) {utility vehicles (UVs), passenger cars}, commercial vehicles (CV) {light commercial vehicles (LCV), pick-ups, medium & heavy commercial vehicles (MHCV)}, electric three-wheelers, two-wheelers, etc.], farm equipment (tractors and other farm equipment), crop care solutions and seed distribution. M&M enjoys a dominant position in its leading business segments. It is the largest tractor company in India with a market share of 41.2% (PY: 40%) in tractor segment in India in FY23 and 42.9% in Q1FY24.

Brief Financials (₹ crore)	March 31, 2022 (A)*	March 31, 2023 (A)*	Q1FY24 (UA)
Total operating income	57,365.36	84,159.45	25,025.95
PBILDT	6,605.90	9,641.58	4,205.01
PAT	4,869.89	6,548.64	2,773.73
Overall gearing (times)	0.22	0.15	NA
Interest coverage (times)	29.21	35.35	130.03

A: Audited UA: Unaudited NA: Not applicable; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	241.45	CARE AAA; Stable
Fund-based - LT/ ST-Working capital limits		-	-	-	10.00	CARE AAA; Stable / CARE A1+
Fund-based - ST-Working capital limits		-	-	-	500.00	CARE A1+
Non-fund-based - LT-BG/LC		-	-	-	340.75	CARE AAA; Stable
Non-fund-based - ST-BG/LC		-	-	-	38.58	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - ST-BG/LC	ST	38.58	CARE A1+	-	1)CARE A1+ (10-Oct-22)	1)CARE A1+ (03-Aug-21)	1)CARE A1+ (23-Dec-20) 2)CARE A1+ (02-Dec-20)
2	Fund-based - LT-Cash credit	LT	241.45	CARE AAA; Stable	-	1)CARE AAA; Stable (10-Oct-22)	1)CARE AAA; Stable (03-Aug-21)	1)CARE AAA; Stable (23-Dec-20) 2)CARE AAA; Stable (02-Dec-20)
3	Fund-based - LT-Term loan	LT	-	-	-	1)Withdrawn (10-Oct-22)	1)CARE AAA; Stable (03-Aug-21)	1)CARE AAA; Stable (23-Dec-20) 2)CARE AAA; Stable (02-Dec-20)
4	Fund-based - LT/ ST-Working capital limits	LT/ST*	10.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (10-Oct-22)	1)CARE AAA; Stable / CARE A1+ (03-Aug-21)	-
5	Fund-based - ST-Working capital limits	ST	500.00	CARE A1+	-	1)CARE A1+ (10-Oct-22)	1)CARE A1+ (03-Aug-21)	-
6	Non-fund-based - LT-BG/LC	LT	340.75	CARE AAA; Stable	-	1)CARE AAA; Stable (10-Oct-22)	1)CARE AAA; Stable (03-Aug-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT/ ST-Working capital limits	Simple
3	Fund-based - ST-Working capital limits	Simple
4	Non-fund-based - LT-BG/LC	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in