

Ref. NS: SEC  
9<sup>th</sup> September, 2024

**National Stock Exchange of India Limited**  
"Exchange Plaza", 5<sup>th</sup> Floor,  
Plot No. C/1, G Block  
Bandra-Kurla Complex  
Bandra (East), Mumbai 400051.

**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai 400001.

**The Luxembourg Stock Exchange**  
35A Boulevard Joseph II,  
L-1840 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 (INR million)	Rating assigned along with Outlook/Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND AAA/Stable	Affirmed
Non-convertible debentures	-	-	-	INR4,750	IND AAA/Stable	Affirmed
Non-fund-based Limits	-	-	-	INR3,525	IND AAA/Stable/ IND A1+	Affirmed
Fund-based limits	-	-	-	INR4,500	IND A1+	Affirmed
Fund-based/non-fund-based limits	-	-	-	INR5,000	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 9<sup>th</sup> September, 2024 at 3:35 p.m.

Further, as per Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Master Circular bearing reference No. SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/48 dated 21<sup>st</sup> May, 2024, please find below details in respect of Credit Rating obtained for Non-Convertible Debentures ("NCD") issued by the Company from India Ratings and 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 (Rs.475 Crore NCD)	India Ratings and Research Private Limited	IND AAA/Stable	Stable	Re-Affirm	-	09-09-2024	Verified	09-09-2024

Kindly take the above on record.

**Yours faithfully,**  
**For MAHINDRA & MAHINDRA LIMITED**

**NARAYAN SHANKAR**  
**COMPANY SECRETARY**

Encl.: as above

Sep 09, 2024 | 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:

## Details of Instruments

Instrument Type	Date of Issuance	Coupon rate	Maturity date	Size (INR million)	Rating assigned along with Outlook/Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND AAA/Stable	Affirmed
Non-convertible debentures*	-	-	-	INR4,750	IND AAA/Stable	Affirmed
Non-fund-based limits	-	-	-	INR3,525	IND AAA/Stable/IND A1+	Affirmed
Fund-based limits	-	-	-	INR4,500	IND A1+	Affirmed
Fund-based/non-fund-based limits	-	-	-	INR5,000	IND AAA/Stable/IND A1+	Affirmed

\*Details in annexure

## Analytical Approach

Ind-Ra continues to take a fully consolidated view of M&M and its subsidiaries (excluding its financial services subsidiary – Mahindra & Mahindra Financial Services Ltd (MMFSL; 'IND AAA/Stable')) while arriving at the ratings, because of the moderate strategic, operational and legal linkages among them.

## Detailed Rationale of the Rating Action

The ratings reflect M&M's continued strong market position in the key business segments, strong revenue growth in FY24 with improved margins, and a diversified business profile. The ratings also reflect M&M's improving market share in the utility vehicle (UV) segment, strong credit profile and superior liquidity.

## List of Key Rating Drivers

### Strengths

- Strong market position in key business segments
- Diversified business profile
- Strong credit profile
- Strong revenue growth in FY24; improvement in EBITDA margin
- Improving market share in UV segment
- Conservative financial policy; tightened capital allocation but capex in focused sectors continues

## Weaknesses

- Lower margins at certain subsidiaries drag metrics

## Detailed Description of Key Rating Drivers

**Strong Market Position in Key Segments:** M&M has maintained its leadership position in the domestic tractor market with around 44.7% share in terms of volumes during 1QFY25 (FY24: 41.6%; FY23: 41.2%) with its brands - Mahindra, Swaraj, Trakstar and the new range of OJA. M&M is also among the top two players in the light commercial vehicle (LCV; below 3.5 tonne) market with around 51% share in 1QFY25 (FY24: 49.0%; FY23: 45.5%; source: Society of Indian Automobile Manufacturers). With new launches, the company held a 58.7% share in the organised electric three-wheeler (e-3W) market in FY24.

**Diversified Business Profile:** M&M has a diversified business profile with its presence across varied businesses including farm equipment, auto, defence, information technology, financial services, mobility services, renewable energy, logistics, real estate, hospitality, steel trading, automotive components and maintaining parts for leading aerospace companies. 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 80% and 88% of the revenue and EBITDA of the consolidated entity (excluding MMFSL), respectively, in FY24. 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 FY24, the consolidated (excluding MMFSL) gross interest coverage (operating EBITDA/gross interest expense) remained strong at 27.7x (FY23: 16.8x), largely led by higher EBITDA of INR147 billion (INR124 billion) as well as a reduction in the overall debt (excluding MMFSL). The company was net debt negative (including corporate guarantee and lease liabilities) in FY24. Ind-Ra expects M&M's credit metrics to remain largely at similar levels due to the overall buoyancy in the domestic auto sector.

**Strong Revenue Growth in FY24 along with Improvement in EBITDA Margin:** The consolidated revenue (excluding MMFSL) increased to INR1,226 billion in FY24 (FY23: INR1,087 billion; FY22: INR789 billion) mainly on account of: i) increased new model launches / model refreshes in the auto business segment and the UV segment, leading to 28.8% yoy growth in volume, ii) about 24.5% yoy growth in the medium and heavy commercial vehicle (MHCV) sector, and iii) improved realisation across auto and farm segments.

The EBITDA margins also increased to 12.0% in FY24 (FY23: 11.4%), primarily led by an increase in margins in auto business as well as farm equipment segments. The margins also benefitted from the improved performance of key subsidiaries as well as the company's exit from certain loss-making businesses.

Ind-Ra expects the consolidated revenue to increase 5%-8% yoy in FY25-FY26, supported by sustained volume growth in the auto industry, led by ICE model launches / refreshes as well as growth in the farm equipment segment. The company is planning to launch nine internal combustion engine sports utility vehicles (SUVs; including three refreshes) and seven electric vehicles (EVs) by FY30. Its new product launches and increasing production capacity would support the company's growth in the auto segment. Ind-Ra expects the EBITDA margin to remain at 11%-12% in FY25-FY26, led by stable raw material prices and operating leverage.

**Improving Market Share in UV Segment:** M&M's strength lies in creating SUVs that resonate with consumers' evolving preference and the company has established as a leader in the segment, with vehicle launches over the past three years underscoring its product and technological leadership. With a renewed strategy, focussed on customer - centricity, accessible technology, and innovation, the company was able to increase its market share to 19.2% in

1QFY25 (FY24: 18.2%; FY23: 17.8%). The company also has a strong order book and is planning product refreshes under its new strategy, including EVs over the medium term, leading to boosting its market share. Nevertheless, Ind-Ra does not expect M&M's market share to reach historical levels of over 25% amid intensifying competition in the UV segment, 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 its investments on criteria such as strategic benefit and financial returns (investments with a clear path to return on equity of 18%). Over FY21-FY24, as a part of its strategy, M&M exited from Ssangyong, GippsAero, Mahindra Tractor Assembly Inc. (GenZe), Peugeot Motorcycles (PMTC), First Choice Wheels, Hisarlar, MeraKisan Pvt Ltd, Mahindra Waste to Energy Solutions Ltd., Mahindra Conveyor Systems Pvt Ltd, Mahindra Consulting Engineers Ltd, Mahindra Sanyo Special Steel Pvt Ltd, OFD BV, Medwell Ventures Pvt Ltd, CIE Automotive, and Mahindra First Choice Services Ltd. Over the same period, M&M also divested its stake in the metal fabrication business of Hisarlar in Turkey and restructured Mahindra Automotive North America's business.

The company is continuously calibrating its strategies to strengthen its market position, streamline operations, invest significantly in the growing EV sector and enhance production capacity to strengthen market positions.

**Lower Margins at Certain Subsidiaries Drag Metrics:** On a standalone level, M&M reported a profit before tax margin of 13.7% in FY24 (FY23: 11.3). The consolidated profit before tax margin (before exceptional items; excluding MMFSL) was lower than the standalone level at 10.9% in FY24 (FY23: 9.2%), 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 yoy 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.

## Liquidity

**Superior:** M&M had a strong consolidated cash balance (including current investments; excluding MMFSL) of INR194 billion at FYE24 (FYE23: INR185 billion; FY22: INR151 billion). The standalone entity's average month-end utilisation of the fund-based facilities of INR10.7 billion was nil for the 12 months ended June 2024. Excluding MMFSL, M&M's free cash flow stood at INR22.6 billion in FY24 (FY23: INR36.9 billion; FY22: INR30 billion), largely led by improved operating performance in the auto as well as farm equipment segments. The capex increased to INR96.2 billion (FY23: INR59 billion; FY22: INR57 billion).

The company plans to incur capex and investments of INR370 billion (increased from INR159 billion capex plan over FY22-24), over FY25-FY27, which includes capex towards electric platform development, new product development and capacity expansion in the auto business segments and investments in group companies. The capex is likely to be funded largely through internal accruals while for the 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 INR120 billion for the EV business over FY25-FY27. In addition, British International Investment and Temasek have agreed to invest INR19 billion and INR12 billion, respectively, in Mahindra Electric Automobile Ltd out of that INR12 billion and INR3 billion, respectively, have already come in as of June 2024.

On a standalone basis, the company has scheduled repayments of INR4.5 billion in FY25 (including repayments in 1QFY25). 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 FY25-FY26, along with the strong cash balances, and financial flexibility will be adequate to fund the debt repayments and dividend pay-outs over the period. After factoring in the 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 FY25-FY27.

## Rating Sensitivities

**Positive:** Not applicable

**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.

## Any Other Information

**Standalone Financials:** The company's operating revenue increased to INR988 billion FY24 (FY23: INR850 billion) and EBITDA stood at INR129 billion (INR104 billion). The company remained net debt negative over FY21-FY24. The interest coverage remained strong at 93.1x in FY24 (FY23: 38.3x). In 1QFY25, the standalone revenue increased 12.0% yoy to INR270 billion (1QFY24: INR241 billion) while the EBITDA was INR40.2 billion (INR32.8 billion) with an EBITDA margin of 14.9% (13.6%).

## 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](#).

## About the Company

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, logistics, information technology, mobility services, renewable energy, steel trading, hospitality, defence and aerospace, and financial services sectors. Furthermore, M&M has a significant market share in the LCV, tractors and UV space.

## Key Financial Indicators

Particulars	FY24	FY23
Revenue (INR billion)	1,226	1,087
EBITDA (INR billion)	147	124
EBITDA margin (%)	12.0	11.4
Interest coverage (x)	27.7	16.8
Net adjusted leverage	Net cash	Net cash

Source: M&M, Ind-Ra

Note: Ind-Ra has arrived at these financials by de-consolidating MMFSL from M&M's consolidated financials.

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/Outlook	Historical Rating/Outlook		
				20 September 2023	21 September 2022	22 September 2021
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable

Non-convertible debentures	Long-term	INR4,750	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
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+	IND AAA/Stable/IND A1+
Fund-based/non-fund-based working capital limits	Long-term/Short-term	INR5,000	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Fund-based working capital limits	Short-term	INR4,500	IND A1+	IND A1+	IND A1+	IND A1+

## Bank wise Facilities Details

Click here to see the details

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low
Fund-based working capital limit	Low
Non-fund-based working capital limit	Low
Fund-based/non-fund-based limits	Low

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

## Annexure

ISIN	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
INE101A08088	27 September 2016	7.57	25 September 2026	INR4,750	IND AAA/Stable

Source: M&M

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**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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## **APPLICABLE CRITERIA**

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### **Evaluating Corporate Governance**

### **Short-Term Ratings Criteria for Non-Financial Corporates**

### **Corporate Rating Methodology**

### **The Rating Process**

## **DISCLAIMER**

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