(43)

CRISIL reaffirms GVC rating on MAHINDRA & MAHINDRA LIMITED

Governance and Value Creation Rating	CRISIL GVC Level 1 (Reaffirmed)

CRISIL has reaffirmed its **'CRISIL GVC Level 1'** rating on Mahindra & Mahindra Ltd (M&M). The rating indicates that M&M's capability with regard to corporate governance and value creation for all its stakeholders is the **'highest'**.

M&M's superior corporate governance practices are derived from the exceptional composition of its Board of Directors, and the strong strategic direction and rigorous management oversight they provide. The rating also reflects the M&M management's commitment to the highest standards of corporate conduct. A majority of the members of the board are independent directors. These directors have experience in a variety of fields, including finance, law, and research and development, and contribute strongly and meaningfully to board discussions. The board is ably supported by the competent operating management team. M&M's leadership in its core automotive and tractors businesses, and presence across segments of the automobile industry, reflect the capabilities of its operating management. Given M&M's large investments in a number of diverse business segments and increasing presence across geographies, CRISIL believes that improved supervision of key subsidiaries, either by the M&M board, or a sub-committee, will help M&M further extend its corporate governance practices across the group. M&M's management has launched several initiatives in recent months to improve oversight of subsidiaries. In CRISIL's view, M&M's new strategic investments committee has strengthened the oversight of strategic decisions to invest, and to review performance of existing investments.

M&M's audit committee was constituted in 1987. The company has a strong and independent internal audit function: an internal audit team for the entire Mahindra group details the scope of the audit and ensures the robustness of the function. M&M has good disclosure standards for dissemination of corporate, financial, and operational information to all stakeholders. The company is also taking the necessary steps for reporting of quarterly accounts on a consolidated basis and for publishing its annual accounts under International Financial Reporting Standards. The remuneration committee has also been assigned additional responsibility of the nominations committee.

M&M has a strong value system, and continues to strengthen and institutionalise its governance processes. CRISIL believes that the M&M management's inclination to adopt appropriate best practices will ensure long-lasting good governance. M&M has also constituted a group executive board (GEB) comprising executive directors, sector presidents, chief executives and managing directors of business segments. CRISIL believes that the GEB will help M&M benefit from synergies within the group, and in talent management.

M&M has created consistent and widespread value for all stakeholders – shareholders, debt holders, customers, employees, and society at large. The company has created strong returns for its equity holders, given the increase in its market capitalisation over the years and high excess value created. Also, its debt holders are well protected because of its healthy credit risk profile. M&M's high employee satisfaction levels and focused initiatives for succession planning, and training and nurturing talent, ensure strong value creation for employees. The Mahindra group also has an exemplary track record of fulfilment of its corporate social responsibilities; M&M has earmarked 1 per cent of its group profits for social causes.

(3/3)

About the Company

M&M is among the leading tractor manufacturers in the world and is the market leader in the utility vehicles (UVs) segment in India. It also manufactures light commercial vehicles (LCVs) and three-wheelers, and has a presence in the passenger car segment through subsidiary, Mahindra Renault Pvt Ltd. The company has manufacturing facilities in Mumbai, Nashik, Zaheerabad, Igatpuri, Rudrapur, Haridwar, Jaipur, and Nagpur.

Over the past few years, M&M has executed a number of mergers and acquisitions in the engineering design and auto-components space. M&M has also set up joint ventures (JVs) with Renault S A (M&M later acquired Renault S A's stake in the JV) and International Trucks and Engines Ltd in the auto original equipment manufacturers space. M&M exports tractors largely to USA and other Asian countries and UVs mainly to countries in Africa, Latin America, Spain and SAARC countries. Recently, M&M acquired a majority stake in Reva Electric Car Company, which has developed proprietary technology to manufacture electric cars. The Mahindra group, through its subsidiaries and group companies, has a presence in trading, retail, logistics, automotive components, after-market, financial services, hospitality, real estate, and information technology. The Mahindra group has a wide presence in financial services (Mahindra & Mahindra Financial Services Ltd), automotive components (Mahindra Forgings Ltd, Mahindra Ugine Steel Co Ltd, and others), hospitality (Mahindra Holidays & Resorts Ltd), information technology (Tech Mahindra Ltd, Mahindra Satyam Ltd, Bristlecone Ltd, and others) and real estate (Mahindra Lifespace Developers Ltd, Mahindra World City Developers Ltd, and others), trade (Mahindra Intertrade Ltd), logistics (Mahindra Logistics Ltd), two-wheelers (Mahindra Two Wheelers Ltd), and aftermarket (Mahindra First Choice Services Ltd).