

FEBRUARY 17, 2015

## CARE ASSIGNS 'CARE AAA' RATINGS TO THE PROPOSED NCD AND SUBORDINATED DEBT ISSUE OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LTD.

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Proposed Non-Convertible Debenture issue	700	CARE AAA (Triple A)	Assigned
Proposed subordinated debt issue	300	CARE AAA (Triple A)	Assigned

### Other Outstanding Ratings

Instrument	Amount (Rs. crore)	Rating <sup>2</sup>
Non-Convertible Debenture issue	600	CARE AAA (Triple A)
Subordinated debt issue	200	CARE AAA (Triple A)

### Rating Rationale

The ratings factor in the majority ownership of MMFSL by Mahindra & Mahindra Ltd. (M&M, rated CARE AAA), strategic importance of MMFSL for M&M and common brand name. The ratings also take into account the expected support from M&M, good operational linkages with M&M, strong management, long track record of operations, comfortable capitalization and liquidity profile, diversified asset mix, well-diversified funding profile and good profitability. The ratings also factor in the moderate asset quality due to the seasonal nature of income of its customers in rural and semi-urban areas and current slowdown in the overall economy. Credit profile of the parent (M&M), strategic importance of MMFSL for M&M, asset quality and profitability are the key rating sensitivities.

### Background

MMFSL is a subsidiary of M&M which holds 51.2% stake and enjoys market leadership position in its key product segments with 40.6% market share in tractor segment and 41.7% share in Utility Vehicles segment. MMFSL was incorporated in 1991 and started its operations as a captive financier for M&M vehicles but since 2002-03 it has started financing vehicles of other OEMs like Maruti and Tata. At the end of FY14, MMFSL, on a standalone basis, had a loan portfolio of Rs.29,321 crore comprising asset classes like utility vehicles, cars, tractors, commercial vehicles, three wheelers and construction equipment. The assets under management, on a standalone basis, at the end of FY14 stood at Rs.34,133 crore. MMFSL has five subsidiaries namely, Mahindra Insurance Brokers Ltd. (85% stake), Mahindra Rural Housing Finance Ltd. (87.5%), Mahindra Business & Consulting Services Private Ltd. (100%), Mahindra Asset Management Company Pvt. Ltd. (99.99%) and Mahindra Trustee Company Pvt. Ltd. (99.99%). It also has a US based joint venture company, Mahindra Finance USA LLC., which is in the business of providing wholesale inventory financing to US based dealers, financing dealer purchases of Mahindra products and providing retail financing to end-user customers to finance their lease or purchase of Mahindra products. MMFSL is headed by Mr. Ramesh Iyer as the Managing Director and Mr. Bharat Doshi is the company's Chairman.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

In FY14, the company earned a PAT of Rs.887 crore on a total income of Rs.4953 crore. Total capital adequacy stood at 18.0% with a Tier I CAR of 15.5%. Gross and Net NPA ratio stood at 4.76% and 2.01% as on March 31, 2014. At the end of December 2014, Gross and Net NPA ratio stood at 7.7% and 3.6%, respectively.

**Analyst Contact**

Name: Mr. Anuj Jain

Tel: 022-67543451

Email: anuj.jain@careratings.com

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**CONTACT****Head Office Mumbai****Mr. D.R. Dogra**

Managing Director  
Mobile: +91-98204 16002  
E-mail: dr.dogra@carerating.com

**Mr. Rajesh Mokashi**

Dy. Managing Director  
Mobile: +91-98204 16001  
E-mail: rajesh.mokashi@careratings.com

**Ms. Meenal Sikchi**

Vice President - Bank Loan & Instrument Rating  
Mobile: +91-9819009839  
E-mail: meenal.sikchi@carerating.com

**Mr. Ankur Sachdeva**

Vice President - Bank Loan & Financial Services  
Mobile: +91-9819698985  
E-mail: ankur.sachdeva@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**Other Office:**

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069  
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-98242 56265  
Tel: +91-79-4026 5656  
E-mail: mehul.pandya@careratings.com

**JAIPUR****Mr. Harsh Raj Sankhla**

304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.  
Cell: +91 - 94139 69100  
Tel: +91-141-402 0213 / 14  
E-mail: harshraj.sankhla@careratings.com

**BENGALURU****Mr. Dinesh Sharma**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91-99000 41975  
Tel: +91-80-4115 0445, 4165 4529  
E-mail: dinesh.sharma@careratings.com

**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: priti.agarwal@careratings.com

**CHANDIGARH****Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,  
Chandigarh - 160 022.  
Cell: +91 99888 05650  
Tel: +91-172-5171 100 / 09  
Email: sajan.goyal@careratings.com

**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.  
Cell: +91-98117 45677  
Tel: +91-11-4533 3200  
E-mail: swati.agrawal@careratings.com

**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: pradeep.kumar@careratings.com

**PUNE****Mr. Rahul Patni**

9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.  
Cell: +91-78754 33355  
Tel: +91-20- 4000 9000  
E-mail: rahul.patni@careratings.com

**HYDERABAD****Mr. Saikat Roy**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.  
Tel: +91-40-4010 2030  
E-mail: saikat.roy@careratings.com

**CIN - L67190MH1993PLC071691**