

Mahindra & Mahindra Limited

October 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	30.47 (Reduced from 582.20)	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	10.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	1,760.25	CARE A1+	Assigned
Short-term bank facilities	372.45 (Reduced from 538.58)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings for 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. Ratings also consider the robust financial risk profile driven by strong capital structure and debt coverage metrics, and 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 above rating strengths largely offset exposure of the company to inherent cyclicity of the automobile industry and increasing competition in utility vehicle (UV) segment. The company is also exposed to risks considering investments in subsidiaries/ joint ventures (JV). However, CARE Ratings has taken cognisance of the management's strategy on appropriate capital allocation across group companies. Going forward, CARE Ratings expects M&M to maintain its growth momentum, and also notes that with softening of raw material prices, margins are expected to improve.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Large debt-funded organic or inorganic investments leading to deteriorating overall gearing.
- Significantly deteriorating volumes of core business segments impacting market position and deteriorating profitability and cashflow on a sustained basis.

Analytical approach:

CARE Ratings has considered M&M's consolidated financials, excluding the non-banking finance company (NBFC) subsidiary – Mahindra & Mahindra Financial Services Limited (MMFSL; rated 'CARE AAA; Stable') and its subsidiaries. However, the analysis considers ongoing and future funding support likely to be extended by M&M to MMFSL and its subsidiaries. The list of subsidiaries consolidated is given in **Annexure-6**.

Outlook: Stable

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

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

Detailed description of 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 41st consecutive year with a market share of 41.6% as on March 31, 2024. As the tractor industry witnessed a de-growth of 7.4% domestically and a degrowth of 21.5% in exports, M&M witnessed a yearly de-growth of 6.4% in the domestic segment and a de-growth of 23.1% in exports. For Q1FY25, the company reported further enhancement in the market share by 310 bps at 44.7% YoY. In the Auto segment, the company has posted growth of 28.8% in the UV sub-segment against industry growth of 25.8% in FY24 owing to increase in the consumer preferences for vehicles of SUV genre and due to new launches at M&M. Owing to new product launches including launches of new variants of existing models, the company reported increase in the revenue market share from 19.1% in FY23 to 20.4% in FY24 and further increase to 21.6% in Q1FY25. In the CV segment, the company holds #1 position in the LCV<3.5T category.

Healthy operating performance with improvement in margins to continue

Despite the volatile global market conditions on account of pro-longed Russia-Ukraine war, escalation of conflict in Israel-Palestine and trade disruption near the Red Sea, M&M reported an increase of 12.9% in the total operating income (TOI) in FY24 considering improved volumes and realisations. The operating profits increased by 19.0% with improvement in operating margins to 11.72% in FY24 from 11.11% in FY23 mainly due to benign commodity prices and cost rationalisation initiatives taken by the management.

Robust financial risk profile combined with high cash and liquid investments

M&M has robust capital structure and debt coverage indicators marked by overall gearing of 0.19x (PY: 0.28x) as on March 31, 2024, 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 ₹18,239 crore as at end-FY24 has led to continued net-debt-free status. The company plans to incur capex and investments of around ₹37,000 crore over FY25-FY27. The capex is towards electric platform development, new product development and capacity expansion in the auto and farm segments, and investments in group companies, which would majorly be funded through internal accruals. CARE Ratings believes that despite the planned capex, 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. The group via its subsidiaries and joint venture (JV) 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 followed by Dr Anish Shah, Managing Director and CEO, under his leadership, the group is reigniting value creation with exponential growth across multiple businesses and prudent capital allocation. With competent management team and 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.

Liquidity: Strong

M&M continues to have a strong liquidity position with significant cash and cash equivalents to the tune of ₹18,239 crore as on March 31, 2024 and unutilised fund-based bank lines of around ₹1,200 crore as on June 30, 2024 on a standalone basis. M&M also holds large investment in group companies (listed) having high market value. CARE Ratings expects the liquidity profile to remain strong despite the planned capex and investment of ₹37,000 crore over FY25-FY27, 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).

Key weaknesses

Auto business prone to macro-economic factors, inherent cyclicity and competition

M&M's CV business [especially medium and 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 income, which in turn is tied to adequacy of rainfall and farm output. M&M gets 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. To combat this, the company has launched new models and different variants of their UV portfolio. Through its subsidiary company, Mahindra Electric Automobile Limited (MEAL), M&M is on track to launch electrified versions of the existing models and is expected to launch its first ever Born Electric (BE) vehicle by December 2024. It also has a pipeline of new EV

models to be launched from FY25 onwards. CARE Ratings believes that although launching of new models will help the company to 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 which has a path towards 15-18% return on equity (RoE) or those which are strategically important]. Over FY25-FY27, the company has guided investment outlay of around ₹32,000 crore in auto and farm companies and around ₹5,000 crore in other group companies. CARE Ratings will continue to monitor the higher-than-envisioned investments, going forward.

Environment, social, and governance (ESG) risks

Environmental

With an exhaustive plan, M&M plans to manage its carbon emissions by managing the Greenhouse Gas (GHG) emissions and has committed for carbon pricing (invest US\$10 per ton of carbon emission) with the commitment to reduce carbon intensity by 47% by FY34 (with base year of FY19). The company is also focusing on increasing EV portfolio's market share, which also proves to be an opportunity for the company. The company is committed to become a Planet Positive business with a clear action plan that includes becoming Carbon Neutral (Scope1 and 2) by 2040, doubling energy productivity by 2030, zero waste to landfill by 2030, sustaining its water positivity index and increasing its share of renewable energy to 50% by 2025. The company is the largest electric 3-wheeler company in the country with dominant Market Share and supporting a net-zero supply chain. Also, 71% of waste generated by the company is recycled and reused.

Social

Through the CSR activities, 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. The company is committed to educate one million girls per year by 2026. The company is also committed to support one million women per year by 2026.

Governance

M&M's governance for risk management framework works at 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'. Notably, more than 55% of its board comprises independent directors (seven of 12 directors) including three women directors.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Commercial Vehicles](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Automobiles	Passenger cars & utility vehicles

Incorporated in 1945, M&M is the flagship company of the Mahindra Group. The group, via subsidiaries and JV, is present in 20 industries, across 10 sectors. Its core businesses include manufacturing auto [passenger vehicles (PV) {utility vehicles (UVs), passenger cars}, commercial vehicles (CV) {light commercial vehicles (LCV), pickups, 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 41.6% (PY: 41.2%) in tractor segment in India in FY24 and 44.7% in Q1FY25.

Brief Financials (₹ crore)*	FY23	FY24
Total operating income	108,326.98	1,22,313.12
PBILDT	12,039.76	14,330.93
PAT	9,303.48	10,326.36
Overall gearing (times)	0.28	0.19
Interest coverage (times)	16.37	22.10

Note: these are latest available financial results

*M&M (Consolidated) minus MMFSL (Consolidated)

Brief Standalone Financials (₹ crore)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Total operating income	84,159.45	97,871.52	27,132.76
PBILDT	9,641.58	12,017.60	4,116.19
PAT	6,548.64	10,717.80	2,612.63
Overall gearing (times)	0.15	0.07	NA
Interest coverage (times)	35.35	86.60	77.81

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	30.47	CARE AAA; Stable
Fund-based - LT/ ST-Cash credit	-	-	-	-	10.00	CARE AAA; Stable / CARE A1+
Fund-based - ST-Daylight overdraft credit facility	-	-	-	-	1460.25	CARE A1+
Fund-based - ST-Working capital limits	-	-	-	-	300.00	CARE A1+
Non-fund-based - ST-BG/LC	-	-	-	-	372.45	CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Non-fund-based - ST-BG/LC	ST	372.45	CARE A1+	-	1)CARE A1+ (29-Aug-23)	1)CARE A1+ (10-Oct-22)	1)CARE A1+ (03-Aug-21)
2	Fund-based - LT-Cash credit	LT	30.47	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Aug-23)	1)CARE AAA; Stable (10-Oct-22)	1)CARE AAA; Stable (03-Aug-21)
3	Fund-based - LT-Term loan	LT	-	-	-	-	1)Withdrawn (10-Oct-22)	1)CARE AAA; Stable (03-Aug-21)
4	Fund-based - LT/ ST-Cash credit	LT/ST	10.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (29-Aug-23)	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	300.00	CARE A1+				
6	Fund-based - ST-Daylight overdraft credit facility	ST	1460.25	CARE A1+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Mahindra Heavy Engines Limited	Full	Subsidiaries with strong linkages
2	Mahindra Electric Automobile Limited		
3	NBS International Limited		
4	Mahindra Automotive Australia Pty. Limited		
5	Mahindra Two Wheelers Limited		
6	Mahindra Europe S.r.l.		
7	Mahindra and Mahindra South Africa (Proprietary) Limited		
8	Automobili Pininfarina GmbH		
9	Automobili Pininfarina Americas Inc.		
10	Mahindra Racing UK Limited		
11	Mahindra Last Mile Mobility Limited		
12	Mahindra Two Wheelers Europe Holdings S.a.r.l.		
13	Classic Legends Private Limited		
14	BSA Company Limited		
15	The Birmingham Small Arms Company Limited		
16	BSA Corporation Limited		
17	B.S.A. Motor Cycles Limited		
18	Gromax Agri Equipment Limited		
19	Trringo.com Limited		
20	Mahindra USA Inc.		
21	Mahindra North American Technical Center, Inc.		
22	Mahindra Automotive North America Inc.		
23	Mahindra Vehicle Sales and Service Inc.		
24	Mahindra do Brasil Industrial Ltda		
25	Erkunt Traktor Sanayi Anonim Şirketi		
26	Erkunt Sanayi Anonim Şirketi		
27	Sampo Rosenlew Oy		
28	Swaraj Engines Limited		
29	Carnot Technologies Private Limited		
30	M.I.T.R.A Agro Equipments Private Limited		
31	Mahindra Solarize Private Limited		
32	Resurgence Solarize Urja Private Limited		
33	Mahindra Agri Solutions Limited		
34	Mahindra Summit Agriscience Limited		
35	Mahindra EPC Irrigation Limited		

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
36	Mahindra Top Greenhouses Private Limited		
37	Mahindra HZPC Private Limited		
38	Mahindra Fruits Private Limited		
39	Mahindra Lifespace Developers Limited		
40	Mahindra Infrastructure Developers Limited		
41	Mahindra World City (Maharashtra) Limited		
42	Knowledge Township Limited		
43	Industrial Township (Maharashtra) Limited		
44	Anthurium Developers Limited		
45	Mahindra Industrial Park Private Limited		
46	Mahindra Water Utilities Limited		
47	Mahindra World City Developers Limited		
48	Mahindra World City (Jaipur) Limited		
49	Mahindra Bloomdale Developers Limited		
50	Mahindra Industrial Park Chennai Limited		
51	Mahindra Homes Private Limited		
52	Mahindra Happinest Developers Limited		
53	Mahindra Knowledge Park (Mohali) Limited		
54	Deep Mangal Developers Private Limited		
55	Moonshine Construction Private Limited		
56	Mahindra Holidays & Resorts India Limited		
57	Mahindra Hotels & Residences India Limited		
58	Gables Promoters Private Limited		
59	Heritage Bird (M) Sdn Bhd		
60	Infinity Hospitality Group Company Limited		
61	MH Boutique Hospitality Limited		
62	MHR Holdings (Mauritius) Limited		
63	Covington S.a.r.l		
64	Guestline Hospitality Management and Development Service Limited		
65	Mahindra Holidays & Resorts Harihareshwar Limited		
66	Holiday Club Resort Oy		
67	Kiinteistö Oy Rauhan Liikekiinteistöt 1		
68	Ownership Services Sweden Ab		
69	Are Villa 3 Ab		
70	Holiday Club Sweden Ab Åre		
71	Holiday Club Sport and Spa Hotels AB		
72	Holiday Club Resort Rus LLC		
73	Holiday Club Canarias Investments S.L.		
74	Holiday Club Canarias Sales & Marketing S.L.		
75	Holiday Club Canarias Resort Management S.L.		
76	Holiday Club Canarias Vacation Club SLU		
77	Bristlecone Worldwide, Inc		
78	Bristlecone India Limited		
79	Bristlecone Consulting Limited		
80	Bristlecone (Malaysia) Sdn.Bhd.		
81	Bristlecone International AG		
82	Bristlecone (UK) Limited		
83	Bristlecone Inc.		
84	Bristlecone Middle East DMCC		
85	Bristlecone GmbH		
86	Bristlecone (Singapore) Pte. Limited		

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
87	Bristlecone Internacional Costa Rica Limited		
88	Mahindra-BT Investment Company (Mauritius) Limited		
89	Mahindra Accelo Limited		
90	Mahindra Steel Service Centre Limited		
91	Mahindra Electrical Steel Private Limited		
92	Mahindra Auto Steel Private Limited		
93	Mahindra Middleeast Electrical Steel Service Centre (FZO)		
94	PT Mahindra Accelo Steel Indonesia		
95	Mahindra MSTC Recycling Private Limited		
96	Mahindra Holdings Limited		
97	Mahindra Overseas Investment Company (Mauritius) Limited		
98	Mahindra Automotive Mauritius Limited		
99	Mahindra Susten Private Limited		
100	Migos Hybren Private Limited		
101	Layer Hybren Private Limited		
102	Kyros Hybren Private Limited		
103	Jade Hybren Private Limited		
104	Furies Solren Private Limited		
105	Gelos Solren Private Limited		
106	Hazel Hybren Private Limited		
107	Illuminate Hybren Private Limited		
108	Martial Solren Private Limited		
109	Mahindra Teqo Private Limited		
110	Marvel Solren Private Limited		
111	Mahindra Defence Systems Limited		
112	Mahindra Telephonics Integrated Systems Limited		
113	Mahindra Emirates Vehicle Armouring FZ-LLC		
114	Mahindra Armored Vehicles Jordan, LLC		
115	Mahindra First Choice Wheels Limited		
116	Fifth Gear Ventures Limited		
117	Mahindra Integrated Business Solutions Private Limited		
118	Mahindra eMarket Limited		
119	Mahindra Airways Limited		
120	Mahindra Logistics Limited		
121	2 x 2 Logistics Private Limited		
122	Lords Freight (India) Private Limited		
123	MLL Express Services Private Limited		
124	MLL Mobility Private Limited		
125	V-Link Freight Services Private Limited		
126	MLL Global Logistics Limited		
127	Zipzap Logistics Private Limited		
128	Mahindra Aerospace Private Limited		
129	Mahindra Aerostructures Private Limited		
130	Mahindra Aerospace Australia Pty Limited		
131	Mahindra Sustainable Energy Private Limited		
132	Mahindra Construction Company Limited		
133	Kota Farm Services Limited		
134	Officemartindia.com Limited		
135	Mitsubishi Mahindra Agricultural Machinery co., Ltd.		
136	Mahindra & Mahindra Contech Limited		
137	Tech Mahindra Limited	Proportionate	Associates with strong linkages
138	P.F. holding BV		

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
139	Renew Sunlight Energy Private Limited		
140	Brainbees Solutions Limited		
141	Blue Planet Integrated Waste Solutions Limited		
142	Smartshift Logistics Solutions Private Limited	Proportionate	Joint Ventures with strong linkages
143	Mahindra Ideal Lanka Private Limited		

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Ranjan Sharma Senior Director CARE Ratings Limited Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Hardik Manharbhai Shah Director CARE Ratings Limited Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in
	Arti Roy Associate Director CARE Ratings Limited Phone: +91-22-6754 3657 E-mail: arti.roy@careedge.in

About us:

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