

JULY 20, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF TECH MAHINDRA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	900	CARE AAA (Triple A)	Reaffirmed
Short-term Bank Facilities	300	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	1,200 (Rupees One Thousand Two Hundred crore only)		

Rating Rationale

The ratings of Tech Mahindra Limited (TML) factor in its strong parentage (Mahindra & Mahindra Ltd; rated 'CARE AAA/CARE A1+'), its extensive track record with a diversified business profile, a strong and experienced management team, strong debt metrics and a robust capital structure.

TML is a part of the Mahindra Group which has a proven business leadership across diverse sectors in India. The merger of TML with Mahindra Satyam Limited (MSL) and series of acquisitions has led to an improvement in its business risk on account of sector-wise and geographic diversification while enabling it to expand its customer base.

The company also has strong debt repayment matrices supported by low debt, steady cash accruals, and strong liquidity position. The financial position of the company is expected to continue to remain strong on account of its limited debt requirements, a healthy capital structure and adequate cash and bank balances.

The ability of TML to improve its profitability, impact of ongoing investigations and legal proceedings in respect of financial irregularities of erstwhile Satyam Computers Services Limited, and any large debt-funded acquisitions remain the key rating sensitivities.

Background

TML is an M&M group company engaged in the business of providing Information Technology (IT) based solutions to various clients. The company has clientele – countries spread across in North America, Europe, and Asia Pacific. The company was incorporated in 1986 as Mahindra British Telecom as a Joint venture between the Mahindra Group and British Telecom. In FY12-13 (refers to the period April 1 to March 31), British Telecom sold its entire stake in the company and is no longer a shareholder / promoter of the company. Mahindra Satyam (erstwhile Satyam Computer Services) was merged with the company in 2013. The company

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

acquired LCC in FY14-15, stake in Pininfarina in FY15-16 and Target and The BIO Agency in the current year (FY16-17).

The company reported total revenue of Rs.27,051 crore and Profit After Tax (PAT) of Rs.3,118 crore for FY15-16 as against total revenue of Rs.22,878 crore and a PAT of INR 2,659 crore for FY14-15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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.

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