

February 28, 2025

Mahindra Agri Solutions Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-Term - Fund Based Limits	97.05	97.05	[ICRA]A(Negative); reaffirmed
Long-Term - Term Loans	2.80	0.00	-
Long-Term - Non-Fund-Based Facilities	0.15	0.15	[ICRA]A(Negative); reaffirmed
Long term – Unallocated	0.00	2.80	[ICRA]A(Negative); reaffirmed
Total	100.00	100.00	

*Instrument details are provided in Annexure I

Rationale

For arriving at Mahindra Agri Solutions Limited's (MASL) rating, ICRA has consolidated the financials of MASL, along with its three subsidiaries – Mahindra Summit Agriscience Limited (MSAL), Mahindra HZPC Private Limited (MHZPC) and Mahindra Fruits Private Limited (MFPL).

The Negative outlook factors in the continued constrained profitability of MASL, translating into muted debt coverage metrics. MASL has been reporting operating losses over the past five years due to losses in the seeds and crop care business (housed under MSAL, which is a joint venture between MASL and Sumitomo Group). MASL reported operating losses of Rs. 4.2 crore in FY2024, largely due to losses in the crop care business, despite improved profitability in the seeds and potato seeds business (housed under MHZPC, which is a joint venture between MASL and HZPC SBDA B.V). While the company has reported operating profit of Rs. 24.0 crore in 9M FY2025, led by launch of new and superior varieties of seeds as well as new products, which resulted in reduced losses in the crop care business in 9M FY2025, the sustenance of the same remains to be seen and will be a key monitorable.

The rating continues to positively factor in the strong parentage of MASL, which is a 98.8% subsidiary of Mahindra & Mahindra Limited (M&M, rated [ICRA]AAA/Stable/ [ICRA]A1+) and the strategic importance of the company to its parent/Group as the agri-business remains aligned to its long-term vision of delivering farm-tech prosperity. The parent/Group has provided timely financial support in the past in the form of equity, inter-corporate deposits, and optionally convertible redeemable preference shares (OCRPS), which have aided in funding the business losses and meeting the working capital needs. In the current fiscal, the parent company has infused additional fresh equity of Rs. 36.7 crore into MASL. ICRA expects timely support from the parent/Group to be forthcoming, if required. The rating also factors in MASL's presence across the agricultural value chain, as reflected in its presence in fruits (grapes) and seeds businesses at the standalone level and crop care and potato seeds business through its JVs. The rating also factors in MASL's high financial flexibility with ability to raise funds at competitive rates of interest, given the strong parentage.

The credit metrics of the company, at the consolidated level, have remained weak, leading to continued depressed coverage and leverage indicators. ICRA also notes the modest scale of operations of MASL when compared to other players in the industry, which restricts the pricing flexibility to some extent and constrain the profitability. Additionally, its high fixed expenses, also continue to remain a drag on the profits unless the existing businesses are scaled up meaningfully. The ratings also remain constrained by the company's exposure to agro-climatic conditions and volatility in commodity prices.

Key rating drivers and their description

Credit strengths

Strong parentage, expectation of continued need-based funding support from M&M Limited – MASL's status as a 98.8% subsidiary of M&M Ltd. imparts considerable financial flexibility to the company. MASL remains strategically important to its parent/Group, given that the agri business remains aligned to its long-term vision of delivering farm-tech prosperity. The parent/Group has provided timely financial support in the past in the form of equity, inter-corporate deposits, and optionally convertible redeemable preference shares (OCRPS,) which have aided in funding business losses and meeting the working capital needs. In the current fiscal, the parent has infused additional fresh equity of Rs. 36.7 crore into MASL. ICRA expects timely support from the parent/Group to be forthcoming, if required.

Presence across agricultural value chain – The consolidation of M&M's entire agri-business (except micro irrigation) into MASL in FY2016 led to its enhanced presence across the agricultural value chain, as reflected in its presence in fruits (grapes) and seeds businesses at the standalone level. At the consolidated level, MASL is also present in crop care (MSAL) and potato seeds and mini tubers (via Mahindra HZPC Private Limited) segments. The crop-care business was transferred to MSAL from MASL in FY2019 to scale up the business by bringing in a foreign partner having access to innovator companies.

High financial flexibility, as demonstrated by ability to raise funds at competitive rates – MASL enjoys high financial flexibility with ability to raise funds at competitive rates of interest, given the strong parentage.

Credit challenges

Moderate scale of operations, continued losses reported in crop care business – The company has a modest scale of operations compared to other players in the industry, which restricts the pricing flexibility to some extent and constrain the profitability. MASL has been reporting operating losses over the past five years due to losses in the seeds and crop care business. MASL reported operating losses of Rs. 4.2 crore in FY2024, largely owing to losses in the crop care business, despite improved profitability in the seeds and potato seeds business. While the company has reported operating profit of Rs. 24.0 crore in 9M FY2025, led by launch of new and superior varieties of seeds as well as new products, which led to reduced losses in the crop care business in 9M FY2025, the sustenance of the same remains to be seen and will be a key monitorable.

Exposure to agro-climatic conditions and volatility in commodity prices – The revenues and profit margins of the company's businesses are exposed to industry cyclicity with certain business divisions having linkages to agricultural production and monsoons. Also, adverse movements in the prices of commodities, dealt by the company, could have a negative impact on its revenues and profit margins, considering its limited ability to pass on the price hike owing to intense competition.

Subdued credit metrics – The credit metrics of the company, at the consolidated level, remain weak on account of its continued weak financial performance, leading to depressed coverage and leverage indicators. ICRA has also noted the adverse cost structure of the company emanating from high fixed expenses, which would continue to remain a drag on the profits unless the existing businesses are scaled up meaningfully. Despite the equity infusion of Rs. 39.5 crore by the parent in FY2024, the net worth at the consolidated level continues to remain negative on account of the recurring losses along with a large asset impairment taken in the crop care business in FY2023.

Liquidity position: Adequate

MASL's liquidity position is adequate, supported by unutilised working capital limits of Rs. 70.5 crore on a standalone basis as on December 31, 2024. In FY2026, the company has no repayment obligations at the consolidated level since the entire term loan has been repaid in 9M FY2025 and it has nominal capex commitment towards maintenance requirements, which can be met from internal accruals. In addition, MASL's liquidity profile is supported by the need-based funding support available to it from the Mahindra Group.

Rating sensitivities

Positive factors – The outlook can be revised to Stable if the company is able to meaningfully increase the profits and cash accruals at the consolidated level, improving its overall credit profile and liquidity position on a sustained basis.

Negative factors – Pressure on the rating could emerge if the company is unable to achieve and sustain breakeven at the operating level (consolidated) in the near term, increasing the indebtedness and worsening the liquidity position. Besides, any indication of MASL's reduced importance to the Mahindra Group or a deterioration in the credit profile of Mahindra & Mahindra Ltd. will also result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: Mahindra & Mahindra Limited The rating assigned to MASL factors in the very high likelihood of its parent, M&M (rated [ICRA]AAA (Stable) / [ICRA]A1+), extending financial support to it, given its strategic importance to the M&M Group. ICRA also expects M&M to be willing to extend financial support to MASL out of its need to protect its reputation from the consequences of a Group entity's distress. There also exists a consistent track record of M&M having extended timely financial support to MASL in the past, whenever a need has arisen.
Consolidation/Standalone	The rating is based on MASL's consolidated financial profile, for which ICRA has consolidated the financials of MASL, MSAL, MFPL and MHZPC – enlisted in Annexure 2. As MASL does not prepare consolidated financials, the consolidation has been done by ICRA based on public disclosures on important inter-group transactions and investments.

About the company

MASL is the consolidated entity of the Mahindra Group's agri-solutions business (comprising crop care, seeds, pulses, edible oil, Samriddhi centres and dairy business), which was carried out in FY2016. MASL, formerly known as Mahindra Shubhlabh Services Limited, was primarily involved in grape exports and trading of some other fruits in the domestic market. The company's name was changed to its present form in February 2016 to reflect the increased scope of activities post consolidation of the agri business. In FY2019, MASL exited from its commodity businesses (viz. pulses, edible oil and banana cultivation) and transferred its crop-care business to a new JV, MSAL. Besides, in FY2020, the company discontinued its Saboro cafe business and transferred its MyAgriGuru app and Samriddhi centre businesses to M&M, as a part of the Group's strategy to consolidate all its agri-support activities under the farm implements business.

MFPL, a wholly-owned subsidiary, used to undertake domestic sales of fruits (other than grapes), marketed under the Saboro brand. This business has been closed in FY2022. Besides, MASL acquired M&M's 59.95% equity stake in MHZPC, a JV between M&M and HZPC (a Holland-based company), with effect from April 1, 2016. MHZPC sells potato seeds and mini tubers in the domestic market.

Key financial indicators (audited)

MASL	Standalone		Consolidated** (MASL+ MHZPC+ MSAL+MFPL)	
	FY2023	FY2024	FY2023	FY2024
Operating income	253.4	269.2	502.4	477.2
PAT	-71.1	-20.4	-86.7	-28.6
OPBDIT/OI	-1.8%	2.3%	-4.4%	-0.9%
PAT/OI	-28.0%	-7.6%	-17.3%	-6.0%
Total outside liabilities/Tangible net worth (times)	-12.0	-224.3	-16.2	-107.7
Total debt/OPBDIT (times)	-26.6	16.3	-7.9	-38.6
Interest coverage (times)	-0.5	0.6	-1.7	-0.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; **Consolidation done by ICRA based on elimination of important inter-group transactions based on public disclosures

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Feb 28, 2025	Jan 18, 2024	Jan 19, 2023	Nov 05, 2021
1	Fund-based Facilities	Long-term	97.05	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)
2	Term Loan	Long-term	-	-	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)
3	Unallocated Limits	Long-term	2.80	[ICRA]A (Negative)	-	-	-
4	Non fund based	Long-term	0.15	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund Based Limits	Simple
Non-fund-Based Facilities	Very Simple
Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund Based Limits	NA	NA	NA	97.05	[ICRA]A (Negative)
NA	Non-fund-Based Facilities	NA	NA	NA	0.15	[ICRA]A (Negative)
NA	Unallocated	NA	NA	NA	2.80	[ICRA]A (Negative)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Mahindra Summit Agriscience Limited	60.00%	Full Consolidation
Mahindra HZPC Private Limited	59.95%	Full Consolidation
Mahindra Fruits Private Limited	100.00%	Full Consolidation

Source: Company

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545328

shamsherd@icraindia.com

Kinjal Shah

+91 22 6114 3400

kinjal.shah@icraindia.com

Sakshi Suneja

+91 22 6169 3349

Sakshi.suneja@icraindia.com

Viren Jhunjunwala

+91 93265 85462

viren.jhunjunwala@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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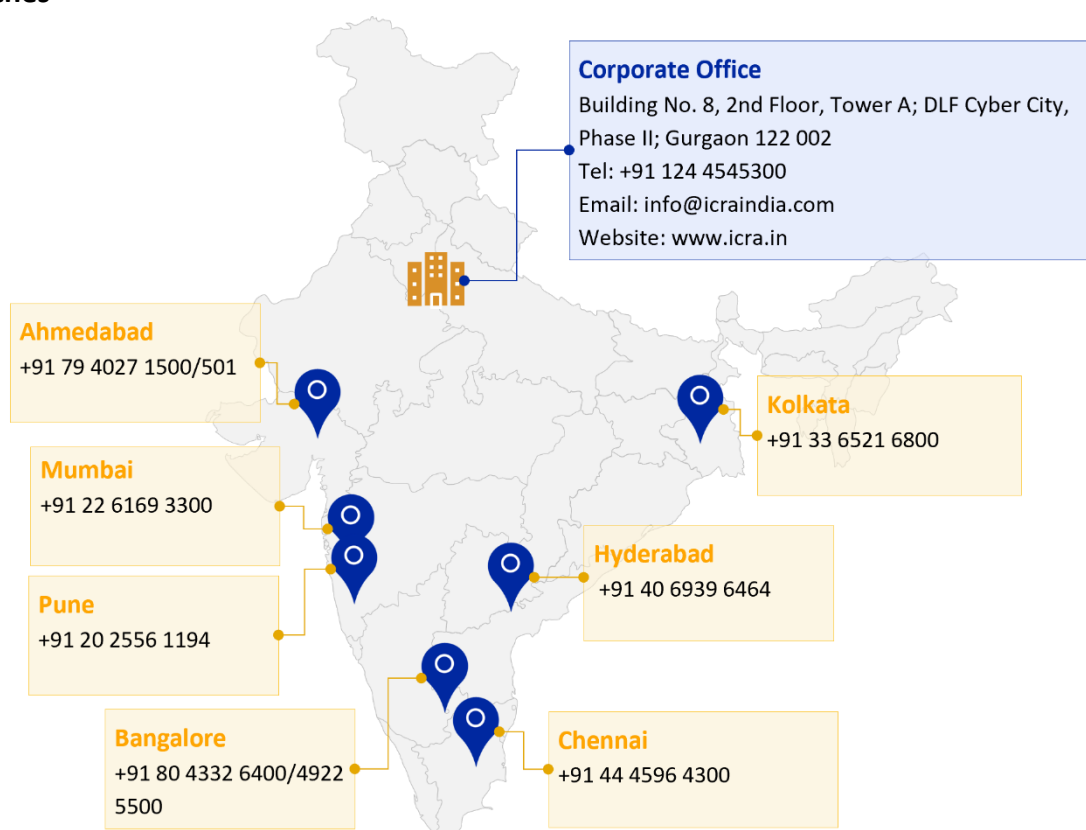
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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