

October 07, 2019

## Mahindra & Mahindra Limited: Update on Material Event

### Summary of Rated Instrument:

Instrument	Rated Amount (Rs. Crore)	Rating Outstanding
Non-convertible Debenture Programme	500.0	[ICRA]AAA (Stable)
Long-term, Fund-based Facilities	65.0	[ICRA]AAA (Stable)
Long-term, Non-fund Based Facilities	110.0	[ICRA]AAA (Stable)
Short-term, Non-fund Based Facilities	350.0	[ICRA]A1+
<b>Total</b>	<b>1025.0</b>	

### Material Event

On October 01, 2019, Mahindra & Mahindra Limited (M&M) announced the execution of a Business Transfer Agreement and Share Subscription Agreement between M&M and Ford Motor Company Inc., USA (FMC) to enable the formation of a joint venture (JV) by way of the company and / or its subsidiaries acquiring 51% of the equity share capital of Ardour Automotive Private Limited (NewCo), presently a wholly-owned subsidiary of FMC in India. The balance 49% equity shareholding in NewCo will be held by FMC and / or any of its affiliates. NewCo will acquire the automotive business of Ford India Private Limited (FIPL), a wholly-owned subsidiary of FMC, including its personnel and assembly plants in Chennai (including the powertrain facility) and Sanand (excluding the powertrain facility). M&M's cost of acquisition of this 51% stake is estimated at Rs. 657 crore. Additionally, M&M would be required to make incremental investments for the future operations of the company. The estimated total amount of such investment by M&M (including the purchase price for 51% stake) would not exceed Rs. 1,400 crore.

### Impact of the Material Event

The ratings remain unchanged at the earlier ratings of [ICRA]AAA (Stable) and [ICRA]A1+ as this acquisition is not expected to have any material impact on the financial risk profile of the company. M&M's investment of Rs. 1,400 crore in the NewCo is estimated to be within the Rs. 18,000 crore M&M+MVML's (Mahindra Vehicle Manufacturers Limited, 100% subsidiary of M&M) combined guidance of capital expenditure and investment plans over FY2020 to FY2022.

ICRA notes that the JV is aimed at strengthening the product portfolio of the two companies, benefit from synergies in manufacturing and sourcing and increasing exports by leveraging FMC's established global distribution network. M&M also expects savings of 35-40% on the product development costs.

The ratings continue to reflect the strong financial profile of M&M, as characterised by healthy cash accruals on the back of its diversified business across varied sectors, robust profitability in its core businesses, and strong liquidity in the form of sizeable cash and liquid investments. The rating also favourably factors in the complementary performance of the farm equipment (FES) and utility vehicles (UV) segments of M&M+MVML, which has provided stability to overall profitability despite cyclical performances in respective segments over the last several years. M&M also has a large investment portfolio of its Group entities, some of which are also listed in the stock markets. The market values of these quoted investments are significantly higher than the book value, providing significant additional cushion to M&M's overall financial flexibility.

---

The previous detailed rating rationale is available on the following link: [Click here](#)

## Analyst Contacts

### Subrata Ray

+91 22 6114 3408

[subrata@icraindia.com](mailto:subrata@icraindia.com)

### Kinjal Shah

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

### Ashish Modani

+91 20 6606 9912

[Ashish.modani@icraindia.com](mailto:Ashish.modani@icraindia.com)

## Relationship Contact

### L. Shivakumar

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

### Ms. Naznin Prodhani

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

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

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents