

14th September 2023**To****BSE Limited (Scrip Code: 532720)**Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001**National Stock Exchange of India Ltd. (Symbol: M&MFIN)**Exchange Plaza, 5th Floor, Plot No. C/1, "G" Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051

Dear Sir/Madam,

Sub: Intimation under Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") – Affirmation of Ratings

In compliance with the provisions of Regulation 30(6) read with Schedule III and other applicable regulations of the SEBI Listing Regulations, as amended from time to time, please take note of the press release, enclosed herewith, published by India Ratings & Research Private Limited on their website on 13th September 2023 around 5:15 p.m. (IST):

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Bank loans	-	-	-	INR549,997	IND AAA/Stable/IND A1+	Affirmed
Non-convertible debentures (NCDs)*	-	-	-	INR390,000	IND AAA/Stable	Affirmed
Retail NCD*@	-	-	-	INR100,000	IND AAA/Stable	Affirmed
Subordinated debt*	-	-	-	INR14,500	IND AAA/Stable	Affirmed
Retail sub debt	-	-	-	INR30,000	IND AAA/Stable	Affirmed
Principal protected market linked debentures* (PP-MLD)	-	-	-	INR15,000	IND PP-MLD AAA/Stable	Affirmed
Commercial papers (CPs)	-	-	7-365 days	INR100,000	IND A1+	Affirmed
Fixed deposits	-	-	-	INR120,000	IND AAA/Stable	Affirmed

*Details in Annexure to press release.

@the rated limit is interchangeable with retail subordinated debt.

The rating of MLDs is an ordinal assessment of the underlying credit risk of the instrument and does not factor in the market risk that investors in such instruments will assume. This market risk stems from the fact that the coupon payment on these instruments will be based on the performance of the reference index (to be detailed in the information memorandum of the issue).

Further, in compliance with Regulation 55 of the SEBI Listing Regulations read with Chapter XI of SEBI Master Circular for listing obligations and disclosure requirements for Non-Convertible Securities, Securitised Debt Instruments and/or Commercial Paper, updated as on 30th June 2023, details of the ratings issued by India Ratings & Research Private Limited will be submitted separately in PDF and XBRL format.

This information is also being uploaded on the website of the Company at URL:

<https://www.mahindrafinance.com/investors/disclosures-reg-46-62/investor-information#credit-rating>

You are requested to take the same on record.

Thanking you,

For **Mahindra & Mahindra Financial Services Limited**

Brijbala Batwal
Company Secretary

India Ratings Affirms Mahindra & Mahindra Financial Services' Bank Loans and NCDs at 'IND AAA'/Stable; CPs at 'IND A1+'

Sep 13, 2023 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has affirmed Mahindra & Mahindra Financial Services Limited's (MMFSL) Long-Term Issuer Rating at 'IND AAA'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Bank loans	-	-	-	INR549,997	IND AAA/Stable/IND A1+	Affirmed
Non-convertible debentures (NCDs)*	-	-	-	INR390,000	IND AAA/Stable	Affirmed
Retail NCD*@	-	-	-	INR100,000	IND AAA/Stable	Affirmed
Subordinated debt*	-	-	-	INR14,500	IND AAA/Stable	Affirmed
Retail sub debt	-	-	-	INR30,000	IND AAA/Stable	Affirmed
Principal protected market linked debentures* (PP-MLD)	-	-	-	INR15,000	IND PP-MLD AAA/Stable	Affirmed
Commercial papers (CPs)	-	-	7-365 days	INR100,000	IND A1+	Affirmed
Fixed deposits	-	-	-	INR120,000	IND AAA/Stable	Affirmed

*Details in Annexure

@the rated limit is interchangeable with retail subordinated debt

The rating of MLDs is an ordinal assessment of the underlying credit risk of the instrument and does not factor in the market risk that investors in such instruments will assume. This market risk stems from the fact that the coupon payment on these instruments will be based on the performance of the reference index (to be detailed in the information memorandum of the issue).

Analytical Approach: The ratings continue to factor in Ind-Ra's expectation of strong, timely financial support from MMFSL's parent, Mahindra & Mahindra Limited (M&M; 'IND AAA/Stable'; holds a 52.16% stake in MMFSL), if required.

Key Rating Drivers

Core to Parent's Business: The ratings continue to reflect M&M's credit strength. Ind-Ra considers MMFSL to be core to M&M's operations, as it supports a substantial proportion of the parent's business. MMFSL is the largest financier for M&M's vehicles; in terms of units, the company financed about 40% of M&M's utility vehicle sales and 31% of the tractor sales at FYE23. The proportion of non-M&M assets in MMFSL's assets under management (AUM) stood at 56% at end-March 2023 (FYE22: 54%). A substantial portion of MMFSL's disbursements in the tractor, utility vehicle and light commercial vehicle segments is towards M&M's products; however, in products such as heavy commercial vehicles, cars and construction equipment, it is towards non-M&M products. MMFSL has a high rural penetration covering over 0.38 million villages of the total 0.65 million villages in the country. It has expertise in pricing and underwriting loans to a vulnerable set of rural and semi-urban customers who may not be targeted by other financiers. Therefore, in Ind-Ra's opinion, the company is crucial to M&M's sales of rural and semi-urban products (tractors, utility vehicles, pick-up vans and others).

MMFSL is also an important entity for launching M&M's new products in rural geographies and securing a foothold in the target market. MMFSL shares its parent's brand name and has strong operational linkages with it. M&M's managing director and chief executive officer is the non-executive chairman of MMFSL and president, group strategy of the Mahindra Group, is also on the board of MMFSL. Furthermore, MMFSL's business plans are formulated after considering M&M's strategies and are in alignment with

the latter's plans. Ind-Ra has factored in the possible support to MMFSL while arriving at M&M's ratings. Ind-Ra believes M&M maintains sufficient liquidity to cover the debt obligations of both M&M and MMFSL over the near term.

Diversified Funding: The company has a diversified funding profile with access to banks and the capital markets. It has also raised long-term funds from pension and insurance funds. Moreover, MMFSL was able to raise equity and debt funds when the markets were a bit volatile due to the pandemic-led uncertainty. It raised around INR522 billion during FY23 in the form of bank loans, debentures, fixed deposits, CPs and securitisation. Given the increase in the withholding tax rate for external commercial borrowing investors, MMFSL may tap other sources of avenues to raise funds. MMFSL also has a deposit-taking licence and has relied on this avenue for raising granular funds. However, the landed cost of deposits is almost similar to that of bank funding rates. Given the rise in interest rates in banks and capital markets, Ind-Ra opines that the industry would evenly balance the funding from these sources. Also, it could raise more of short-term debt (CPs) to minimise the impact on the funding costs, while keeping the asset-liability maturity (ALM) matched. The volume of the securitisation transactions has also picked up and can serve as additional source of funding.

Liquidity Indicator - Adequate: The average duration of MMFSL's borrowings is three-to-four years, which matches well with its loan portfolio, resulting in a matched ALM profile. Ind-Ra conducted a stress test on its ALM profile, assuming a delay in advances inflows with timely payments of its liabilities. Even under a stress case scenario, the ALM profile remained comfortable. The company maintains a reasonable amount of unutilised bank lines as an additional liquidity cushion. On-balance sheet liquidity, in the form of unencumbered cash and liquid investments, is sufficient to meet around three months of gross debt obligations without relying on collections. MMFSL's board-approved treasury chest policy, requires it to maintain at least three months of liquidity buffer (including a minor proportion of some committed unutilised bank lines) at any time to meet debt repayment obligations and operational expenditure. On a monthly basis, its collections (including overdues) remained above 95% in 4QFY23. It has the advantage of raising funds from the group companies through inter-corporate deposits on a need basis. MMFSL also has a board-approved line of credit from M&M. The company's ability to mobilise funds from different classes of investors lends diversity to its resource profile.

Moderation in Credit Cost with Improvement in Operating Environment: The pandemic-led lockdowns during 1HFY21 and the health crisis caused by the second COVID-19 wave during 1QFY22 resulted in a spike in delinquencies, and consequently, the credit costs for MMFSL, with the second wave having a disproportionate impact in rural areas. However, the environment has normalised, leading to an improvement in its collection efficiency. The headline stage 3 assets declined to 4.5% at FYE23 (FY22: 7.7%), supported by the write-off of INR22 billion (INR25 billion) and better collection efficiency. Factoring in the Reserve Bank of India's circular on daily recognition of non-performing assets (NPAs), the gross NPA stood at 5.9% as of March 2023. MMFSL has strengthened its provisioning policy, wherein any contract that is overdue by more than 36 months has been written off. MMFSL provides 100% on contracts that are overdue by more than 18 months. }

The provisioning on the entire loan book was high at 4% as of March 2023, with a comfortable 59% provisioning on stage 3 assets. Its standard restructured book outstanding accounted for 1.1% of the loan book in 4QFY23, the performance of which would be crucial. The capital buffer (Tier I: 19.9% at 4QFYE23) was comfortable enough to absorb any spike in asset-side stress. Good monsoon supported its agriculture-related cash flows while a pick-up in rural economic activities helped its delinquency numbers in FY23. MMFSL is increasing the proportion of affluent customers from the rural geography in its portfolio which results in lower yields; however, the credit cost could be benign for this target customer. In FY24, its credit cost trajectory would also be guided by the performance of monsoon rains and the sustenance of rural economic activities.

Profitability Contingent on Margin Maintenance and Credit Cost Control: MMFSL's profitability improved in FY23, primarily due to a reduction in the credit costs. The margins witnessed a compression of 30bps due to rise in interest rates; however, a likely further uptick in its funding costs in FY24 and a change in the product mix would likely put pressure on its margins. MMFSL did pass on the rise in funding costs to its new disbursements which they did in FY23. Ind-Ra opines that the credit costs could be benign in FY24 and the profitability would be supported to that extent. Its operating expenditure increased in FY23, due to the increase in business volumes and investments in technology. Thus, for FY24, the profitability would be contingent on MMFSL's ability to reduce the impact on margins and its control on credit costs.

Rating Sensitivities

Negative: The following developments could result in negative rating action:

- a decline in the proportion of M&M's revenue from MMFSL due to M&M's rapid expansion in urban and high-end products and/or a surge in the participation from other financiers in M&M's sales, making it less dependent on MMFSL.
- the ratings would also be affected if MMFSL's operational linkages with M&M are diluted significantly.
- a sustained increase in the leverage, resulting in tier I reducing below 15% on a consistent basis could be negative for the ratings.
- any weakening of M&M's credit profile or its ability to support MMFSL's increasing debt levels will also be negative for the ratings.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on MMFSL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please [click here](#).

Company Profile

MMFSL is a large non-banking finance company and M&M is a leading Indian automobile manufacturer. Besides financing M&M's vehicles, MMFSL is the holding company of the group's other financial service forays, including rural housing finance.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	FY23	FY22
Total assets (INR billion)*	1,043	828
Total equity (INR billion)*	179	160
PAT (INR billion)	20.7	11.5

Return on average assets (%)*	2.2	1.4
Tier 1 capital (%)	19.9	24.3
Source: MMFSL, * as per Ind-Ra's calculations		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook					
	Rating Type	Rated Limits (million)	Rating	13 July 2023	17 April 2023	1 November 2022	16 June 2022	7 December 2021	8 December 2020
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
NCDs	Long-term	INR490,000	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Subordinated debt	Long-term	INR44,500	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Bank loans	Long-term/Short-term	INR549,997	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
PP-MLDs	Long-term	INR15,000	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable	IND PP-MLD AAA/Stable
CP	Short-term	INR100,000	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Fixed deposits	Long term	INR120,000	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	-	-

Annexure

NCDs

ISIN	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
INE774D07KT2	15 December 2014	8.95	13 December 2024	1,750	IND AAA/Stable
INE774D07KW6	23 January 2015	8.79	23 January 2025	2,500	IND AAA/Stable
INE774D07LB8	10 March 2015	8.70	10 March 2025	550	IND AAA/Stable
INE774D07LE2	24 March 2015	8.72	24 March 2025	500	IND AAA/Stable
INE774D07LO1	22 April 2015	9.00	22 April 2025	5,000	IND AAA/Stable
INE774D07MK7	24 June 2015	9.00	24 June 2025	5,000	IND AAA/Stable
INE774D07MM3	29 June 2015	8.95	27 June 2025	150	IND AAA/Stable
INE774D07NN9	9 October 2015	8.75	9 October 2025	2,500	IND AAA/Stable
INE774D08MJ4	19 April 2018	8.53	19 April 2033	10,000	IND AAA/Stable
INE774D07TG0	8 August 2019	8.48	8 August 2029	20,000	IND AAA/Stable
INE774D07TL0	5 March 2020	7.45	11 December 2024	4,000	IND AAA/Stable
INE774D07TM8	5 March 2020	7.75	5 March 2030	775	IND AAA/Stable
INE774D07TV9	31 July 2020	5.9	31 July 2023	2,750	WD (Paid in full)
INE774D07TY3	16 October 2020	5.72	16 October 2023	5,000	IND AAA/Stable
INE774D07UA1	4 December 2020	5.25	4 December 2023	4,250	IND AAA/Stable

INE774D07UC7	4 June 2021	Benchmark (third T-bill linked) +1.60%	4 June 2024	5,000	IND AAA/Stable
INE774D07UD5	24 June 2021	6.35	24 December 2024	562.5	IND AAA/Stable
INE774D07UD5	24 June 2021	6.35	24 June 2025	562.5	IND AAA/Stable
INE774D07UD5	24 June 2021	6.35	24 December 2025	562.5	IND AAA/Stable
INE774D07UD5	24 June 2021	6.35	24 June 2026	562.5	IND AAA/Stable
INE774D07UF0	23 July 2021	Benchmark (third T-bill linked) +1.47%	23 July 2024	7,000	IND AAA/Stable
INE774D07UG8	17 November 2021	7.45	17 November 2031	3,750	IND AAA/Stable
INE774D07UG8*	17 December 2021	7.45	17 November 2031	2,755	IND AAA/Stable
INE774D07UH6	27 January 2022	6.25	28 July 2025	3,000	IND AAA/Stable
INE774D07UI4	15 February 2022	Benchmark (third T-bill linked) +1.65%	14 February 2025	5,000	IND AAA/Stable
INE774D07UJ2	22 February 2022	5.98	22 February 2024	3,000	IND AAA/Stable
INE774D07UG8*	28 March 2022	7.45	22 February 2024	2,500	IND AAA/Stable
INE774D07UK0	14 July 2022	ZERO coupon (XIRR 7.25)	14 February 2024	2,167	IND AAA/Stable
INE774D07UL8	23 July 2022	7.46	24 June 2024	2,750	IND AAA/Stable
INE774D07UM6	30 August 2022	7.90	30 August 2027	7,500	IND AAA/Stable
INE774D07UN4	27 September 2022	8	27 September 2032	20,000	IND AAA/Stable
INE774D07UQ7	21 November 2022	8.10	21 November 2025	4,070	IND AAA/Stable
INE774D07UP9	21 November 2022	ZERO	21 May 2025	1,750	IND AAA/Stable
INE774D07UW5	29 March 2023	8.25	28 March 2025	11,250	IND AAA/Stable
INE774D07UV7	29 March 2023	8.25	29 March 2028	11,250	IND AAA/Stable
INE774D07UT1	29 March 2023	8.25	26 March 2026	11,250	IND AAA/Stable
INE774D07UU9	29 March 2023	8.25	28 March 2028	11,250	IND AAA/Stable
INE774D07UX3	21 April 2023	8.10	21 May 2026	6,820	IND AAA/Stable
INE774D07VB7	27 April 2023	8.00	25 April 2025	10,500	IND AAA/Stable
INE774D07UZ8	27 April 2023	8.00	27 April 2027	10,500	IND AAA/Stable
INE774D07VA9	27 April 2023	8.00	26 June 2025	10,500	IND AAA/Stable
INE774D07UY1	27 April 2023	8.00	27 April 2027	10,500	IND AAA/Stable
INE774D07UX3	27 July 2023	8.10	21 May 2026	3,450	IND AAA/Stable
			Utilised	231,737	
			Unutilised	158,263	
			Total	390,000	

*Additional issuance under the same ISIN

Market-linked Debentures

ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
INE774D07UO2	31 October 2022	7.7	19 December 2024	2,750	IND PP-MLD AAA/Stable
INE774D07UO2*	24 November 2022	7.7	19 December 2024	2,245	IND PP-MLD AAA/Stable
INE774D07UR5	17 January 2023	7.65	15 January 2026	1,165	IND PP-MLD AAA/Stable
			Utilised	6,160	
			Unutilised	8,840	
			Total	15,000	

*Additional issuance under the same ISIN

Retail Debt Issuances

ISIN	Date of Issuance	Coupon rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
INE774D07ST5	18 January 2019	9.1	18 January 2024	933	IND AAA/Stable

INE774D07SU3	18 January 2019	9.15	18 January 2024	4,423	IND AAA/Stable
INE774D07SV1	18 January 2019	9.2	18 January 2027	175	IND AAA/Stable
INE774D07SW9	18 January 2019	9.3	18 January 2027	8,516	IND AAA/Stable
INE774D08MO7*	18 January 2019	9.35	18 January 2029	5	IND AAA/Stable
INE774D08MP4*	18 January 2019	9.5	18 January 2029	3,364	IND AAA/Stable
			Utilised	17,416	
			Unutilised	82,584	
			Total	100,000	

*Retail subordinated debt

Subordinated Debt

ISIN	Date of Issuance	Coupon rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
INE774D08LH3	28 August 2014	9.60	28 August 2024	100	IND AAA/Stable
INE774D08LI1	3 September 2014	9.60	3 September 2024	50	IND AAA/Stable
INE774D08LJ9	17 November 2014	9.50	15 November 2024	1,000	IND AAA/Stable
INE774D08LK7	2 February 2015	9.18	31 January 2025	1,000	IND AAA/Stable
INE774D08LL5	25 June 2015	9.10	25 June 2025	250	IND AAA/Stable
INE774D08LM3	14 August 2015	9.00	14 August 2025	250	IND AAA/Stable
INE774D08LN1	21 August 2015	9.00	21 August 2025	250	IND AAA/Stable
INE774D08LO9	27 October 2015	8.90	27 October 2025	1,000	IND AAA/Stable
INE774D08MT6	5 July 2021	7.35	4 July 2031	1,329	IND AAA/Stable
INE774D08MV2	21 July 2022	8.20	21 July 2032	800	IND AAA/Stable
INE774D08MV2*	7 September 2022	8.20	21 July 2032	3,000	IND AAA/Stable
			Utilised	9,029	
			Unutilised	5,471	
			Total	14,500	

*Additional issuance under the same ISIN

Retail Subordinated Debt

ISIN	Date of Issuance	Coupon rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
INE774D08LT8	6 June 2016	8.53	6 June 2026	9	IND AAA/Stable
INE774D08LU6	6 June 2016	8.72	6 June 2026	247	IND AAA/Stable
INE774D08LZ5	6 June 2016	8.8	6 June 2026	278	IND AAA/Stable
INE774D08MA6	6 June 2016	9	6 June 2026	8,523	IND AAA/Stable
INE774D08MF5	6 June 2016	N.A	6 June 2026	3	IND AAA/Stable
INE774D08MG3	6 June 2016	N.A	6 June 2026	270	IND AAA/Stable
INE774D08MH1	24 July 2017	7.75	24 July 2024	500	IND AAA/Stable
INE774D08MI9	24 July 2017	7.85	24 July 2024	93	IND AAA/Stable
INE774D08MJ7	24 July 2017	7.9	24 July 2027	2	IND AAA/Stable
INE774D08MK5	24 July 2017	8	24 July 2027	4,470	IND AAA/Stable
INE774D08ML3	24 July 2017	7.95	24 July 2032	11	IND AAA/Stable
INE774D08MM1	24 July 2017	8.05	24 July 2032	6,428	IND AAA/Stable
			Utilised	20,835	
			Unutilised	9,165	
			Total	30,000	

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Description	Complexity Indicator
Bank loans	Low
NCDs	Low
CP	Low
PP-MLD	High
Fixed deposit	Low

For details on the complexity level of the instrument, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

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APPLICABLE CRITERIA

Financial Institutions Rating Criteria

Rating FI Subsidiaries and Holding Companies

Rating of Financial Institutions Legacy Hybrids and Sub-Debt

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

The Rating Process

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