

## RATING RATIONALE

10 June 2026

### Mahindra & Mahindra Financial Services Limited

**Brickwork Ratings reaffirms the ratings of the NCDs amounting to Rs. 2,125.68 Crores of Mahindra & Mahindra Financial Services Limited.**

#### Particulars:

Instrument**	Amount Rated (Rs. Crores)		Tenure	Rating*	
	Previous	Present		Previous Rating (11 Jun 2025)	Present
<b>Non-Convertible Debentures (Subordinated Debt)</b>	2,125.68	<b>2,125.68</b>	<b>Long Term</b>	BWR AAA/ Stable (Reaffirmed)	<b>BWR AAA/Stable (Reaffirmed)</b>
<b>Total</b>	2125.68	<b>2125.68</b>	<b>Rupees Two Thousand One Hundred and Twenty Five Crores and Sixty Eight Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

\*\* Details of instruments (outstanding, redeemed, and proposed) are provided in Annexure-II

#### **RATING ACTION / OUTLOOK: REAFFIRMATION / STABLE**

Brickwork Ratings has reaffirmed the rating of the non-convertible debentures (subordinated debt) of Mahindra & Mahindra Financial Services Limited (MMFSL or the company) at BWR AAA/Stable. The rating factors in the strong consolidated financials of MMFSL and its strategic importance to the parent Mahindra & Mahindra Limited (M&M), the experienced board and management of MMFSL, its strong position in the utility vehicle and tractor financing business in rural and semi-urban areas, comfortable capital adequacy, diversified resource profile, and sizable loan portfolio. MMFSL continues to derive the strength and support of M&M in terms of managerial and operational linkages. The rating, however, remains monitorable on the asset quality on a YoY basis, the cyclical nature of the sectors catered to by MMFSL, and the company's overall earning profile.

The outlook has been retained as stable, as BWR believes that the business and financial risk profile of the company will be maintained over the medium term.

#### **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:**

The instruments rated by BWR are unsecured, listed, and redeemable non-convertible subordinated debentures with a fixed coupon rate, and without any put and call option. The company raised the non-convertible subordinated debentures (NCD) in series under multiple tranches, having different maturity dates. Further, the NCDs aggregating to Rs. 1034.48 Crores continue as proposed issuances. Key terms are captured as per Annexure II.

## KEY RATING DRIVERS

### Credit Strengths:-

- **Steady growth in Consolidated financials of MMFSL:** At the consolidated level, MMFSL business verticals comprise rural housing finance, insurance broking, an asset management company (mutual fund), and Mutual Fund distribution. BWR has considered the consolidated financial performance of MMFSL.  
On a YoY basis, as at 31 March 2026, at consolidated levels, MMFSL's total income grew to Rs. 21,086 Crores as at 31 Mar 2026 from Rs. 18,530 Crores as at 31 Mar 2025, and net profits after tax increased to Rs. 2,861 Crores for FY26 from Rs. 2,261 Crores for FY25. The balance sheet size stood at Rs. 1.59 lakh Crores as at 31 Mar 2026, increased from Rs. 1.44 lakh Crores as at 31 Mar 2025. The asset financing company's growth was supported by a parallel increase in total borrowings to Rs. 1.28 lakh Crores as at 31 Mar 2026, which stood at Rs. 1.19 lakh Crores as at 31 Mar 2025.
- **The strategic importance of MMFSL to M&M:** Mahindra and Mahindra Limited, India's largest tractor and utility vehicle manufacturer, holds a 52.49% stake in MMFSL as of 31 March 2026, and the latter is of strategic importance to M&M. As of 31 March 2026, 46% of the business assets of MMFSL consisted of M&M vehicle financing. It also benefits from the operational and managerial support from M&M. This, along with the shared brand name with the parent, helps MMFSL in resource raising and better manage economic cycles.  
MMFSL's strategic importance to M&M and the leadership position of M&M in the tractor industry in India, its strong presence in the light commercial vehicles (LCVs) segment, and the benefits of diversification complement the synergies between the companies, providing operational and managerial linkages.
- **Growing and diversified loan portfolio:** MMFSL is primarily engaged in financing the purchase of new and pre-owned auto and utility vehicles, tractors, cars, 3 wheelers, commercial vehicles, construction equipment, SME financing, and others to customers predominantly in the rural and semi-urban areas. At a consolidated level, MMFSL's Loan Book grew by 13% YoY, to Rs. 1,39,264 Crores as of 31 March 2026 from Rs 1,23,514 Crores as of 31 March 2025. During FY26, the total disbursements increased by 8.64% YoY, to Rs 65,986 Crores as against Rs 60,741 Crores during FY25. A steady increase in disbursements in line with the industry trend shall assist in expanding its overall loan portfolio growth.  
As of 31 March 2026, the standalone portfolio (gross of provisions) was diversified, albeit it remains concentrated in vehicle financing. The exposure to various asset classes accounted for Passenger Vehicles (41%), Commercial vehicles and Construction equipment (20%), Pre-owned vehicles (13%), Tractors (12%), 3 Wheelers (3%), SMEs (6%), and others (5%). Geographically, the company's portfolio is diversified across the country
- **Capitalisation and diversified resource profile:** MMFSL's standalone net worth of ₹24,759 Crores as at 31 March 2026 provides a comfortable capital cushion, with capital adequacy at 18.8% as against the regulatory requirement of 15%. BWR views that, though the capital adequacy was well above the regulatory requirement, a healthy buffer of more than 3% over the regulatory requirement provides substantial comfort for the assigned rating. The capitalisation ensures the company's ability to absorb potential credit shocks and sustain

growth in its loan book. The strategic importance of MMFSL to its parent, Mahindra & Mahindra Limited (M&M), which holds a 52.49% stake, further enhances confidence in its capital strength and long-term support.

As of 31 Mar 2026, MMFSL had a diversified resource profile. The Deposits of the Company grew to Rs.14,196 Crores as at 31 Mar 2026 from Rs. 11,404 Crores as at 31 Mar 2025. The borrowings of the Company were at Rs.106,139 Crores as at 31 Mar 2026, as against Rs.101,470 Crores as at 31 Mar 2025. The gearing stood at 4.86x as at 31 Mar 2026 from 5.70x as at 31 Mar 2025. The Borrowings are predominantly from Banks and FIs at 64.5%, Mutual Funds at 6.5%, Insurance and Pension funds at 12.0%, FIIs and corporates at 10.6%, and others at 6.4%.

### **Credit Risks:-**

**Moderate asset quality:** On a standalone basis, the Gross Stage 3 assets ratio was 3.4% as of 31 Mar 2026, improving from 3.7% as of 31 Mar 2025. Net stage 3 assets ratio was 1.4% as of 31 Mar 2026, improving from 1.8% as of 31 Mar 2025. In absolute terms, Gross Stage 3 assets were Rs 4,578 Crores as of 31 Mar 2026, as against Rs 4,414 Crores as of 31 Mar 2025. The Stage-3 provision coverage ratio was at 58.6% as of 31 Mar 2026, as against 51.2% as at 31 Mar 2025. The Gross Stage 1 (GS-1) assets book, which is considered as a stable asset book with collections upto 30 days past due (DPD)s, (including the current collection) had increased on absolute terms from Rs.108,747 Crores as at 31 Mar 2025 to Rs.1,23,128 Crores as at 31 Mar 2026, while the GS-1 ratio (as % of overall book) improved marginally from 91% in FY25 to 92% in FY26. The Collection efficiency of the company was at 96% in FY26 from 95% in FY25, and remains monitorable with the trend in the industry. The asset quality to remain monitorable on the cyclical nature of the sectors catered to by the Company.

- **Earnings profile to stabilise and strengthen the return ratios:** As per consolidated financials, MMFSL PAT jumped by 27% to Rs. 2861 Crores for FY26 from Rs. 2261 Crores for FY25, it was Rs.1943 Crores for FY24. The credit costs have been improving on account of the asset profile classified as standard. For FY26, on a standalone basis, Stage 3 provisions were Rs. 2681 Crores, covering 58.56% of Stage 3 assets of Rs. 4578 Crores, while for FY25, the Stage 3 provisions were at Rs. 2258 Crores, covering 51.55% of Stage 3 assets of Rs. 4414 Crores. Improvement in collections and recoveries, excluding write-offs over slippages to NPA, shall be monitorable on the overall asset quality, provisioning, and thereby the profitability. The return on managed assets, which was above 2% in FY23, was less than 2% during the past two years of FY24 and FY25, and returned to 2% as of FY26. The return on net worth of the company was more than 11% in FY23, went below 11% at the end of FY 24, and was above 12% at the end of FY25 is now at 12.5% levels at the end of FY26. On a standalone basis, MMFSLs' NIMs for FY26 were better than the industry and above 7%, and the cost-to-income ratios reduced to below 40% levels, comparable to banks in the industry.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA: CONSOLIDATED (MMFSL)**

For arriving at its ratings, Brickwork Ratings has considered the consolidated financial performance of MMFSL; MMFSL's ownership and support by M&M, and MMFSL's strategic importance to M&M are taken note of. BWR has applied its rating methodology as detailed in the Rating Criteria (*hyperlinks provided at the end of this rationale*).

## RATING SENSITIVITIES

**Positive** - Not Applicable

**Negative:**

- A substantial deterioration in asset quality and profitability from the current level on a sustained basis.
- Significant reduction in stakeholding and support of M&M to MMFSL.

## LIQUIDITY INDICATORS: ADEQUATE

The liquidity of the company as at 31 Mar 2026 was adequate. As of 31 Mar 2026, the company has free cash and liquid investment of Rs 9150 Crores, including unutilised bank limits, adequate to cover the next two months' repayment obligations. The company had no negative cumulative mismatches as of 31 March 2026, as per the ALM statement. The LCR of 31 March 2026 is 224%, which is well above the regulatory requirement of 100%.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE - ESG PRACTICES

The company demonstrates an adequate ESG profile based on its environmental, social, and governance practices. The ESG profile for financial sector entities typically factors governance as a key differentiator.

**Environmental:** The company has several initiatives in place to reduce its impact on the environment, such as the installation of high-efficiency air conditioners and the use of energy-efficient fans, which led to a reduction in energy consumption. Also, the company was able to maintain zero waste to landfill by recycling the paper waste

**Social:** Social assessment covers employee welfare initiatives, diversity and inclusion practices (women workforce 5%), and financial-inclusion measures. customer service and grievance-resolution systems, data privacy and information-security measures, and community development or CSR initiatives.

**Governance:** The company's governance structure is characterized by more than half of its board comprising independent directors with segregation in chairperson and executive positions, presence of a dedicated investor grievance redressal mechanism, and extensive disclosures

The company demonstrates a satisfactory ESG profile, supported by its environmental, social, and governance practices. For financial sector entities, governance remains a key differentiating factor within the ESG framework, and the company has taken steps to strengthen its sustainability and governance processes. Overall, the company's ESG initiatives and governance practices provide comfort regarding its long-term sustainability and stakeholder orientation

## ABOUT THE COMPANY

Mahindra & Mahindra Financial Services Limited (MMFSL) is an RBI-registered systemically important deposit-taking NBFC. It falls under the Upper layer of the Scale-Based Regulation (Oct 2022) of the Reserve Bank of India. It is classified as a deposit-taking NBFC-ICC. MMFSL is a subsidiary of Mahindra and Mahindra Limited (M&M), one of India's leading tractor and sports utility vehicle manufacturers. M&M holds 52.49% stake in MMFSL as of 31 Mar 2026.

MMFSL was incorporated in 1991, commenced financing M&M Utility vehicles in 1993, non-M&M vehicles since 2002, and began financing commercial vehicles and construction equipment in 2009. MMFSL had 1,348 offices with presence in 27 states and 7 union territories in India, as at 31 Mar 2026. MMFSL operates mainly in the rural and semi-urban areas. It is primarily engaged in the business of financing the purchase of new and pre-owned auto and utility vehicles, tractors, cars, commercial vehicles, construction equipment, and SME Financing. At the consolidated level, MMFSL business verticals also comprise rural housing finance, insurance broking, an asset management company (mutual fund), and Mutual Fund distribution.

#### KEY FINANCIAL INDICATORS- (CONSOLIDATED - MMFSL)

Parameters	Units	FY24	FY25	FY26
Result Type		Audited	Audited	Audited
Loan Assets	Rs. in Crores	1,06,344	1,23,514	139,264
Total Income	Rs. in Crores	15,970	18,530	21,087
Profit After Tax	Rs. in Crores	1,943	2,261	2,861
Networth	Rs. in Crores	19,933	21,529	26,692
Gearing	Times	5.03	5.53	4.81

#### KEY FINANCIAL INDICATORS- Financial (STANDALONE - MMFSL)

Parameters	Units	FY24	FY25	FY26
Result Type		Audited	Audited	Audited
Loan Assets*	Rs. in Crores	99,195	1,16,214	130,160
Total Income	Rs. in Crores	13,562	16,075	18,501
Profit After Tax	Rs. in Crores	1,760	2,345	2,782
Networth	Rs. in Crores	18,157	19,812	24,759
Gearing	Times	5.18	5.70	4.86
CRAR	%	18.9	18.3	18.8
Gross Stage 3 ratio	%	3.40	3.69	3.41
Net Stage 3 ratio	%	1.28	1.84	1.44

\*Loan assets net of provisions.

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY:** No Non-Cooperation from other credit rating agencies

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

Sr No	Instrument	Current Rating			Rating History		
		Tenure	Amount (Rs Crs)	Rating (Jun 2026)	2025 (11-Jun-2025)	2024 (13-Jun-2024)	2023 (14-Jun-2023)
1	NCD (Sub Debt)	Long Term	2,125.68	BWR AAA / Stable Reaffirmed	BWR AAA / Stable Reaffirmed	BWR AAA / Stable Reaffirmed	BWR AAA / Stable Reaffirmed
	<b>Total</b>		<b>2,125.68</b>	<b>Rupees Two Thousand One Hundred and Twenty Five Crores and Sixty Eight Lakhs Only</b>			

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [NBFC](#)
- [Consolidation of Companies](#)

**Analytical Contacts**

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**Mahindra & Mahindra Financial Services Limited**

**ANNEXURE-I  
Details of Bank Loan Facilities rated by BWR: NA**

**ANNEXURE – II  
INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS:**

Instrument	Issue Date	Issue Amount (Rs Cr)	O/S Amt (Rs Crs) ( 31Mar 2026)	Coupon Rate	Maturity Date	ISIN	Series	Complexity Level#
NCD Subordinate Debt Tier 2 (Unsecured)	24-Jul-2017	0.22	0.22	7.90%	24-Jul-2027	INE774D08MJ7	IIA	Simple
	24-Jul-2017	447.02	447.02	8.00%	24-Jul-2027	INE774D08MK5	IIB	Simple
	24-Jul-2017	1.12	1.12	7.95%	24-Jul-2032	INE774D08ML3	IIIA	Simple
	24-Jul-2017	642.84	642.84	8.05%	24-Jul-2032	INE774D08MM1	IIIB	Simple
	<b>Outstanding</b>	<b>1,091.20</b>	<b>1,091.20</b>					
	Proposed	1,034.48	1,034.48	-	-	-	-	-
	Total	<b>2125.68</b>	<b>2125.68</b>					

#<http://www.brickworkratings.com/download/ComplexityLevels.pdf>

**COMPLEXITY LEVELS OF THE INSTRUMENTS: SIMPLE**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**ANNEXURE – III  
List of Entities Consolidated (MMFSL and its subsidiaries)**

Name of Entity	% ownership	Extent of Consolidation	Rationale for Consolidation
Mahindra Insurance Brokers Limited (“MIBL”)	100%	Full	Subsidiary
Mahindra Rural Housing Finance Limited (“MRHFL”)	98.43%	Majority	Subsidiary
Mahindra Finance USA LLC (Joint venture with Rabobank group subsidiary)	49%	JV	JV
Mahindra Manulife Investment Management Pvt. Ltd (“MMIMPL”)	51%	Majority	Subsidiary
Mahindra Manulife Trustee Pvt. Ltd (“MMTPL”)	51%	Majority	Subsidiary
Mahindra Ideal Finance Ltd (“MIFL”), Sri Lanka	58.2%	Majority	Subsidiary

### List of instruments and regulators

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

Instrument/Activity	Regulator
Listed/Proposed to be listed bonds/debentures/preference share (all securities)	SEBI
Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA-
Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) <sup>1</sup>	SEBI
Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)- <sup>1</sup>	SEBI
Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)- <sup>1</sup>	RBI
Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis <sup>2</sup>	RBI
External Commercial Borrowings and other similar borrowings	RBI
Certificates of Deposit	RBI
Fixed Deposits raised by NBFC's, Banks, HFCs, Fis	RBI
Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fis	MCA
Inter Corporate Deposits/Loans extended by Corporates	MCA
Borrowing programme - <sup>3</sup>	-
Issuer Ratings <sup>4</sup>	-
Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
Listed Security Receipts	SEBI
Unlisted Security Receipts	RBI
Independent Credit Evaluation (ICE)	RBI
Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis)	RBI
Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))	SEBI
Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	MCA
Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) <sup>1</sup>	Investor-side Regulator such as IRDAI, PFRDA <sup>5</sup>
Monitoring Agency	SEBI
Research activities, incidental to rating, such as research for Economy, Industries and Companies <sup>6</sup>	NA

1. Includes securitisation transactions involving assignee payout, acquirer's payout.
2. Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
3. The rated instrument may involve the issuance of different instruments, such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), BWR shall separately capture the rated quantum details along with the names of respective regulators.
4. There is no instrument being rated, and hence, the Regulator of the Instrument is not applicable.
5. These ratings were assigned during the regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side regulators have been included.
6. Permitted by SEBI vide SEBI Master Circular for CRAs

Grievance Management: For any grievances relating to the rating of instruments regulated by SEBI, please contact [sebigrievance@brickworkratings.com](mailto:sebigrievance@brickworkratings.com). Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available

For any grievances relating to the rating of instruments regulated by other FSR (Financial Sector Regulators), please contact [grievance@brickworkratings.com](mailto:grievance@brickworkratings.com)

#### **About Brickwork Ratings**

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI]. BWR is the 5th agency to get a credit rating registration in India in 2009, and its corporate office is in Bengaluru. It has a country-wide presence with representatives in 150+ locations. Canara Bank is Brickwork's strategic partner and promoter.

Brickwork offers credit ratings of Bank Loan, Non-convertible/convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has also rated NGOs, Educational Institutions, Hospitals, Urban Local Bodies and Municipal Corporations.

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