



Mahindra

Current Price: ₹ 545.65

STOCK DATA

BSE Code	500520
NSE Symbol	M&M
Reuters	MAHM.BO
Bloomberg	MM IN

VALUE PARAMETERS

52 W H/L(Rs)	992.00/515.10
Mkt. Cap.(Rs Cr)	67834.80
Latest Equity(Subscribed)	621.60
Latest Reserve (cons.)	39439.45
Latest EPS (cons.) -Unit Curr.	41.58
Latest P/E Ratio -cons	13.12
Latest Bookvalue (cons.) -Unit Curr.	322.24
Latest P/BV - cons	1.69
Dividend Yield -%	1.36
Face Value	5.00

SHARE HOLDING PATTERN (%)

Description as on	% of Holding (AS ON 30 Jun 2019)
Foreign	38.41
Institutions	22.89
Govt Holding	0.22
Non Promoter Corp. Hold.	4.71
Promoters	18.9
Public & Others	14.87

M&M and MVML: Combined Results

	Qtr Ending Jun. 2019	Qtr Ending Jun. 2018	In Cr. Var. (%)
Total Operating Income	12805.47	13357.66	-4
OPM(%)	14.00	15.80	
OP	1793.60	2110.10	-15
Other Income	191.89	192.96	-1
PBIDT	1985.40	2303.00	-14
Interest	30.17	43.09	-30
PBDT	1955.27	2259.92	-13
Depreciation	583.88	429.47	36
PBT Before EO	1371.39	1830.45	-25
EO	1367.05	24.52	5475
PBT after EO	2738.44	1854.97	48
Tax provision	478.70	597.75	-20
PAT	2259.74	1257.22	80
EPS	18.96	10.56	

Mahindra & Mahindra Ltd.'s profit for the quarter ended June fell missing estimates as India's automakers are yet to see signs of revival from the worst slowdown in a decade.

Mahindra and Mahindra (M&M) posted 80% rise in net profit to Rs 2259.74 crore on 4% drop in topline to Rs 12,805.47 crore for the first quarter ended June 2019. But it was EO income of Rs 1367 crore vis a vis an income of Rs 24.52 crore in previous year that led to this big rise in bottomline. Else, at the PBT before EO level, the company registered 25% drop in profits to Rs 1371.39 crore.

In the first quarter, M&M's total auto sales stood at 1,23,690 units as against 1,30,484 units in the year-ago period, down 5%. Tractor sales decreased 15% yoy to 82,013 units.

Mahindra Vehicle Manufacturers Limited (MVML), located at Chakan near Pune, was set up as a 100% subsidiary of the company with a view to sourcing contemporary products for expanding the market offerings of the company. Hence, it is a critical part of its business and only the combined results of the company and MVML will provide a comprehensive view of company's performance.

Operating Margin for the combined entity in the quarter ended June 2019 was 14% as compared to 15.8% in last Q1. Operating profit was 15% lower at Rs 1793.6 crore. Increase in cost on all fronts impacted margins. Raw material cost (as a % to sales, net of stock) rose 51bps at 67.9%. Employee expenses rose 50 bps to 6.77%. Other expenses (all as a % to sales, net of stock) rose 77 bps to 11.29%.

Other income was 1% lower at Rs 191.89 crore. Interest cost decreased by 30% to Rs 30.17 crore. The depreciation cost rose 36% at Rs 583.88 crore.

Thereafter, PBT before EO fell 25% to Rs 1371.39 crore. The company incurred an EO income of Rs 1367 crore during the quarter vis a vis income of Rs 24.52 crore during the quarter. PBT after EO shot up by 48% at Rs 2738.44 crore. PAT settled 80% higher at Rs 2259.74 crore after 20% drop in tax provision at Rs 478.7 crore (1480 bps drop in tax rate).

M&M and MVML: Combined Segment Results

	Qtr Ending Jun. 2019	Qtr Ending Jun. 2018	In Cr. Var. (%)
Segment Revenue			
Automotive Segment	7985.80	8032.56	-1
Farm Equipment Sector	4382.17	5006.88	-12
Others	522.89	405.49	29
Total Segment Revenue	12890.86	13444.93	-4
Less : Inter-Segment Revenue	85.39	87.27	-2
Net Sales	12805.47	13357.66	-4
Segment Results (after EO)			
Automotive Segment	518.00	757.52	-32
Farm Equipment Sector	844.74	1045.38	-19
Others	28.51	13.38	113
Total Segment Results	1391.25	1816.28	-23
add/Less:			
Interest Expense (Net)	30.17	43.09	-30
Other Unallocable Income Net Off	1377.36	81.78	1584
Unallocable (Expenditure)			
Total PAT	2738.44	1854.97	48
Capital Employed (Segment Assets Less Segment Liabilities)			
Automotive Segment	10651.69	9095.45	17
Farm Equipment Sector	4577.80	3496.70	31
Others	513.23	440.64	16
Total CE	15742.72	13032.79	21

Exceptional items in financial results of Rs. 1367.05 crores for the quarter ended 30th June 2019 mainly represents gain on disposal of interest in subsidiaries and change of status from subsidiary to joint venture.

The PBIT margin of auto segment was at 6.5% (vis a vis 9.4%) thereby leading to 32% drop in PBIT at Rs 518 crore. Farm equipment segment's PBIT margin was lower at 19% (vis a vis 21%) leading to 19% drop in PBIT at Rs 845 crore. Revenues from auto sector fell 1% while that from FES sector fell 12%.

Outlook

The IMF has pared down its projections yet again for global as well India's growth in its latest July 2019 outlook. Domestically, data broadly paints a picture of subdued demand, notably in private consumption with firms and households continuing to hold back spending. The RBI has also scaled down the projection of GDP growth for 2019-20 to 7.0% from 7.2% earlier.

Monsoon, which is crucial for farm output and growth, has played catch up lately, thanks to copious July rain fall, after a delayed and patchy start. The India Meteorological Department (IMO) has forecast a zero-deficit monsoon in the second half of season, which bodes well for

cumulative rainfall as well as Kharif acreage. The resultant precipitation and soil moisture could also turn out to be positive for Rabi crops.

The RBI has cut policy rates by 75bps thus far and is likely to remain accommodative. The lagged effect of interest rate cuts, liquidity infusion and targeted fiscal spending post budget, especially government actions on improving incomes for farmers, cash transfers and sops for affordable housing, could provide support to growth going forward. However, given the current challenging global and domestic growth environment, a concerted policy effort will be required to prop sentiment, put a floor under consumption and revive growth.

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