

Result Update



Product Mix %	Q1FY11	Q1FY10	Q4FY10
UV's	42.4	47.6	44.9
Three Wheelers, Gio & Maxximo	15.8	8.8	16.5
M&M Exports	2.5	1.1	3.2
Tractors inclusive of exports	39.4	42.4	35.4
Units Sold	127299	102282	132620

Valuation

	CMP	Discount	VPS of M&M
Subsidiaries			
Mahindra Finance	566.9	30%	40.0
Mahindra Composites	81.9	30%	0.1
Mahindra Forgings	102.3	30%	5.5
Mahindra Holidays	480.5	30%	40.7
Mahindra Life spaces	474.0	30%	12.0
Mahindra UGINE	69.2	30%	1.4
Joint Ventures			
Tech Mahindra	699.8	30%	45.5
Swaraj Engines	419.0	30%	2.1
	FY12e EPS	PE	Price
Mahindra & Mahindra Ltd	44.7	13	581.1
Value per share			728.4

Outlook & Recommendation

In view of the projected GDP growth and continuous buoyancy in demand, its Indian peers have lined up a flurry of new products and variants, which will offer stiff competition for M&M. Also high and rising inflation, along with the hardening of the interest rates remains a concerns. However, due to M&M's strong focus on cost controls, product innovation along with our expectation that the market growth to be high enough to accommodate major players; hence, we are of the opinion that the company will meet these challenges and we remain optimistic about sales volumes in the current quarter.

We have valued the stock at 13 times FY12 earnings of Rs 44.7 and valued listed subsidiaries at 30% discount to market cap. We recommend a Buy on the stock with a target of Rs 728.4.

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Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Mahindra & Mahindra Ltd.	Q1FY11	Q1FY10	% Chg.	Q1FY11	Q4FY10	% Chg.	FY201003	FY200903	% Chg.
Net Sales	5124.2	4229.5	21.2	5124.2	5278.9	-2.9	18452.0	12985.3	42.1
Other operational Income	35.9	13.1	173.7	35.9	25.8	39.4	150.1	108.4	38.4
Total Oper. Income(TOI)	5160.1	4242.6	21.6	5160.1	5304.6	-2.7	18602.1	13093.7	42.1
Raw Materials Cons.-	3252.8	2740.7	18.7	3252.8	3121.0	4.2	11695.6	8771.8	33.3
% to TOI	63.0%	64.6%	-	63.0%	58.8%	-	62.9%	67.0%	-
Stock adj. (-)Inc / (+)Dec-	69.4	-49.0	LP	69.4	178.3	-61.1	-23.7	156.3	PL
% to TOI	1.4%	-1.2%	-	1.4%	3.4%	-	-0.1%	1.2%	-
Net Raw Mat adj. for stock	3322.2	2691.7	23.4	3322.2	3299.2	0.7	11671.9	8928.1	30.7
% to TOI	64.4%	63.4%	-	64.4%	62.2%	-	62.7%	68.2%	-
Other expenses	748.6	633.7	18.1	748.6	893.7	-16.2	2776.5	2048.4	35.6
% to TOI	14.5%	14.9%	-	14.5%	16.9%	-	14.9%	15.6%	-
Contribution Net_Sales	1089.3	917.2	18.8	1089.3	1111.7	-2.0	4153.7	2117.2	96.2
Personnel	313.7	308.3	1.8	313.7	266.1	17.9	1198.5	1024.6	17.0
% to TOI	6.1%	7.3%	-	6.1%	5.0%	-	6.4%	7.8%	-
Total expenditure	4384.5	3633.6	20.7	4384.5	4459.1	-1.7	15646.9	12001.1	30.4
Operating Profit	775.6	609.0	27.4	775.6	845.6	-8.3	2955.2	1092.6	170.5
% to TOI	15.0%	14.4%	-	15.0%	15.9%	-	15.9%	8.3%	-
Non-Operating Income	20.5	23.6	-13.1	20.5	18.1	13.0	199.4	270.3	-26.3
Interest	-22.7	6.0	PL	-22.7	0.9	PL	27.8	45.3	-38.6
Exceptional Items			-			-	90.8	10.3	783.6
Gross Profit	818.8	626.6	30.7	818.8	862.8	-5.1	3217.5	1328.0	142.3
Depreciation	97.6	88.5	10.3	97.6	94.7	3.0	370.8	291.5	27.2
PBT before Extra-ord	721.1	538.1	34.0	721.1	768.1	-6.1	2846.8	1036.5	174.7
% to TOI	14.0%	12.7%	-	14.0%	14.5%	-	15.3%	7.9%	-
Extraordinary Items			-			-		30.7	
PBT	721.1	538.1	34.0	721.1	768.1	-6.1	2846.8	1067.2	166.8
Tax Rate	22.0%	25.5%	-	22.0%	25.8%	-	26.7%	18.7%	-
Prov. for Tax	158.8	137.3	15.7	158.8	197.8	-19.7	759.0	199.7	280.1
% to TOI	3.1%	3.2%	-	3.1%	3.7%	-	4.1%	1.5%	-
Profit after Tax	562.4	400.9	40.3	562.4	570.3	-1.4	2087.8	867.5	140.7
% to TOI	10.9%	9.5%	-	10.9%	10.8%	-	11.2%	6.6%	-
Face Value	5.0	10.0	-50.0	5.0	5.0		5.0	10.0	-50.0
Equity Share capital	283.1	273.0	3.7	283.1	283.0	0.0	283.0	272.6	3.8
EPS (Rs.)	9.9	14.7	-32.4	9.9	10.1	-1.5	36.9	31.8	15.9
CEPS (Rs.)	11.7	17.9	-35.0	11.7	11.8	-0.8	43.4	42.5	2.2

Source: ACE Equity

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Ventura Securities Limited

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