

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.

Result Update



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 |
| <i>% to TOI</i> | <i>15.0%</i> | <i>14.4%</i> | <i>-</i> | <i>15.0%</i> | <i>15.9%</i> | <i>-</i> | <i>15.9%</i> | <i>8.3%</i> | <i>-</i> |
| 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 |
| <i>% to TOI</i> | <i>10.9%</i> | <i>9.5%</i> | <i>-</i> | <i>10.9%</i> | <i>10.8%</i> | <i>-</i> | <i>11.2%</i> | <i>6.6%</i> | <i>-</i> |
| 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

Result Update



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Ventura Securities Limited

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