



## Mahindra & Mahindra

STOCK INFO.	BLOOMBERG
BSE SENSEX: 12,907	MM IN
	REUTERS CODE
S&P CNX: 3,739	MAHM.BO

27 October 2006

Buy

Previous Recommendation: Buy

Rs763

Equity Shares (m)	244.2
52-Week Range	769/351
1,6,12 Rel.Perf.(%)	12/13/45
M.Cap. (Rs b)	186.4
M.Cap. (US\$ b)	4.1

YEAR	NET SALES	PAT	ADJ.EPS	CONS.	P/E	CONS.	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	EPS (RS)	(X)	P/E (X)	(%)	(%)	SALES	EBITDA
3/06E	81,412	6,479	25.3	37.8	30.2	20.2	22.3	22.1	2.0	18.4
3/07E	96,438	9,070	35.4	53.2	21.5	14.3	25.0	26.0	1.6	12.1
3/08E	105,665	10,255	40.1	63.8	19.1	12.0	23.9	25.5	1.4	10.3

M&M's 2QFY07 results are ahead of our estimates due to strong performance in both the automotive and farm equipment segments, wherein the margins improved by 240bp each YoY.

- Net sales (standalone) grew 28% to Rs24.5b (adj. for octroi refund of Rs404m), ahead of 24.1% volume growth reflecting 3.1% YoY growth in average realization.
- EBITDA margins at 13.4% (up 200bp YoY and 210bp QoQ) was higher than our estimates of 11.6%. Improvement in EBITDA margins was on account of lower RM/sales at 66.2%. Adjusted PAT grew by 56% to Rs2.47b.
- Segmental margins improved significantly during the quarter as well; automotive segment margins increased by 240bp YoY to 12.6%, margins in the farm equipment segment improved to 14.2% in 2Q FY07 from 11.8% in 2QFY06.
- Total consolidated income (including other income, but excluding octroi refund) increased by 44.4% to Rs45.8b, due to all-round strong performance of group companies as well as the parent. PBT (before exceptional items) grew 75% to Rs5.8b resulting in adj. PAT growth (after minority interest and share of profit of associates) of 64% to Rs3.6b
- We remain positive on the growth prospects of M&M's core business. The government's thrust on the rural sector, normal monsoons and strong economic activity will sustain strong volumes going forward. With several growth drivers for the company over the next 3-4 years, M&M remains one of our top bets in auto sector. We are introducing our FY09 consolidated EPS estimate of Rs73.9. The stock trades at 14.3x FY07E cons EPS of Rs53.2, and 12x FY08E cons EPS of Rs63.8. Reiterate **Buy**.

### QUARTERLY PERFORMANCE

Y/E MARCH	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Total Volumes (nos)	52,421	53,746	62,845	65,587	62,426	66,708	70,500	74,547	234,599	274,181
<b>Total Income</b>	<b>18,119</b>	<b>19,148</b>	<b>21,867</b>	<b>22,278</b>	<b>22,172</b>	<b>24,501</b>	<b>24,714</b>	<b>25,051</b>	<b>81,412</b>	<b>96,438</b>
Change (%)	27.3	23.2	23.4	16.6	22.4	28.0	13.0	12.4	22.2	18.5
Total Cost	16,190	16,966	19,231	20,159	19,660	21,209	21,452	21,772	72,546	84,093
<b>EBITDA</b>	<b>1,929</b>	<b>2,182</b>	<b>2,636</b>	<b>2,119</b>	<b>2,512</b>	<b>3,292</b>	<b>3,262</b>	<b>3,279</b>	<b>8,865</b>	<b>12,345</b>
As % of Sales	10.6	11.4	12.1	9.5	11.3	13.4	13.2	13.1	10.9	12.8
Change (%)	19.9	16.4	24.5	0.5	30.2	50.9	23.8	54.7	15.0	39.3
Non-Operating Income	204	294	403	953	454	478	400	563	1,854	1,895
Extraordinary Income	0	0	689	1,411	190	1,393	0	0	2,100	1,583
Extraordinary Expense	15	15	15	-37	15	0	0	0	8	15
Interest	-54	-48	-21	-61	-147	-155	-40	-58	-184	-400
<b>Gross Profit</b>	<b>2,171</b>	<b>2,509</b>	<b>3,734</b>	<b>4,581</b>	<b>3,288</b>	<b>5,318</b>	<b>3,702</b>	<b>3,900</b>	<b>12,995</b>	<b>16,208</b>
Less: Depreciation	466	466	558	509	463	501	575	591	2,000	2,130
Amortisation										
<b>PBT</b>	<b>1,705</b>	<b>2,043</b>	<b>3,175</b>	<b>4,071</b>	<b>2,825</b>	<b>4,817</b>	<b>3,127</b>	<b>3,309</b>	<b>10,995</b>	<b>14,078</b>
Tax	253	472	841	859	784	952	750	955	2,424	3,440
Effective Tax Rate (%)	14.8	23.1	26.5	21.1	27.7	19.8	24.0	28.9	22.0	24.4
<b>PAT</b>	<b>1,453</b>	<b>1,572</b>	<b>2,334</b>	<b>3,212</b>	<b>2,042</b>	<b>3,865</b>	<b>2,377</b>	<b>2,354</b>	<b>8,570</b>	<b>10,638</b>
Change (%)	39.8	27.8	75.3	110.7	40.6	166.1	51.2	0.8	47	24
<b>Adj PAT</b>	<b>1,468</b>	<b>1,587</b>	<b>1,790</b>	<b>1,634</b>	<b>1,867</b>	<b>2,472</b>	<b>2,377</b>	<b>2,354</b>	<b>6,479</b>	<b>9,070</b>
Change (%)	61.5	27.9	33.0	4.6	27.2	55.8	32.8	44.0	28.6	40.0

E: MOSI Estimates

### Net revenues up 28% YoY ...

Net revenues grew 28% YoY to Rs24.5b in 2QFY07, on the back of 24.1% volume growth and 3.1% increase in average realizations. Tractors and 3-wheelers, which grew 29.1% and 68.7% YoY, respectively, led overall volume growth, while UVs registered 13.5% growth. Average realizations improved owing to better sales mix.

### ... driven by 19% volume growth ...

Overall volumes grew 24% YoY, led by tractors, three-wheelers and the Scorpio. Compared with industry growth of 36%, M&M's tractor volumes in the home market grew 31% YoY in 1HFY07. Resultantly, the company's share in the domestic market decreased 170bp to 30.3% in 1HFY07 from 32% in 1HFY06. EBIT margins for tractors expanded 240bp to 14.2% due to strong volume growth and richer product mix.

UVs too recorded good growth, mainly due to strong 19.9% YoY growth displayed by Scorpio. The Scorpio accounts for 30% of UV volumes. Overall, UV sales grew 13.5% YoY, with UVs excluding Scorpio and exports increasing by 6.9% only. M&M's UVs are facing competition from GM's Tavera and Toyota Innova. Nevertheless, M&M continues to be the leader in the segment, with share of 44.8% (down 150bp YoY)

In 2QFY07, M&M's automotive segment exports grew 51.5% YoY to 2,761 units. The company exported 1,764 tractors versus 1,075 in 2QFY06, a rise of 64.1% YoY.

#### VOLUME BREAK-UP (UNITS NOS)

	2QFY07	2QFY06	%CH	1QFY07	%CH
Utility Vehicle	32,266	28,423	13.5	26,547	21.5
Scorpio	9,893	8,248	19.9	8,093	22.2
Uvs w/o Scorpio	19,612	18,353	6.9	17,123	14.5
LCVs	1,991	1,883	5.7	1,930	3.2
Three Wheelers	8,887	5,269	68.7	6,582	35.0
<b>Total Automotive</b>	<b>43,144</b>	<b>35,575</b>	<b>21.3</b>	<b>35,059</b>	<b>23.1</b>
Tractors	23,564	18,171	29.7	27,367	-13.9
<b>Total</b>	<b>66,708</b>	<b>53,746</b>	<b>24.1</b>	<b>62,426</b>	<b>6.9</b>
Exports - UVs	2,761	1,822	51.5	1,331	107.4
Exports - Tractors	1,764	1,075	64.1	2,325	-24.1
<b>Total Exports</b>	<b>4,525</b>	<b>2,897</b>	<b>56.2</b>	<b>3,656</b>	<b>23.8</b>

Source: Company/ Motilal Oswal Securities

#### RESIDUAL GROWTH REQUIRED

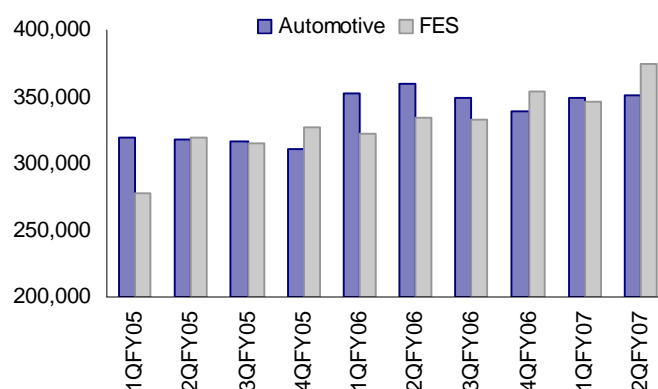
MAHINDRA	FY07	FY06	GRTH. (%)
September Total Sales (units)	25,705	20,938	22.8
YTD FY07 Sales (units)	129,134	106,209	21.6
FY07 estimate (units)	274,181	234,447	16.9
Residual Growth Req.(%)	13.1		
September - UV Sales (units)	12,072	10,949	10.3
YTD FY07 Sales (units)	58,813	54,124	8.7
UV's - FY07 estimate (units)	131,643	120,222	9.5
Residual Growth Req.(%)	10.2		
September - Tractor Sales (units)	9,729	7,099	37.0
YTD FY07 Sales (units)	50,931	39,371	29.4
Tractors -FY07 estimate (units)	102,034	85,028	20.0
Residual Growth Req.(%)	11.9		

Source: Company/ Motilal Oswal Securities

### ... and 3.1% increase in average realization

Average realization increased 3.1% YoY and 3.4% QoQ on account of a richer automotives product mix. The Scorpio and Hardtops continued to garner 48.4% of sales versus 42.5% in 1QFY07. As a result, EBIT margins for the automotive division (adjusted for octroi refund) increased 240bp YoY and 410bp QoQ to 12.6%. Likewise, EBIT margins for tractors expanded 240bp YoY and 70bp QoQ to 14.3% due to strong volume growth and richer product mix.

#### REALISATION/UNIT (RS)



Source: Company/ Motilal Oswal Securities

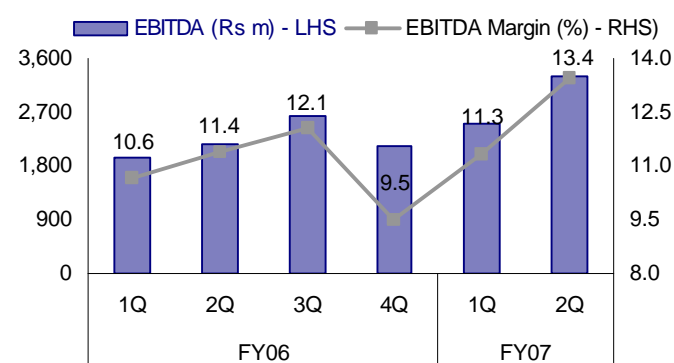
### EBITDA margin expands 200bp

M&M's EBITDA margins for 2QFY07 expanded 200bp YoY and 210bp QoQ to 13.4%. EBITDA grew 50.9% YoY to Rs3.3b, the raw materials to sales ratio declined sharply (66.2% in 2QFY07 v/s 69.4% in 2QFY06) and can be

attributed partly to a Rs2.3b increase in the inventory. These gains were offset to some extent by higher other expenditure (13.7% in 2QFY07 v/s 12.6% in 2QFY06).

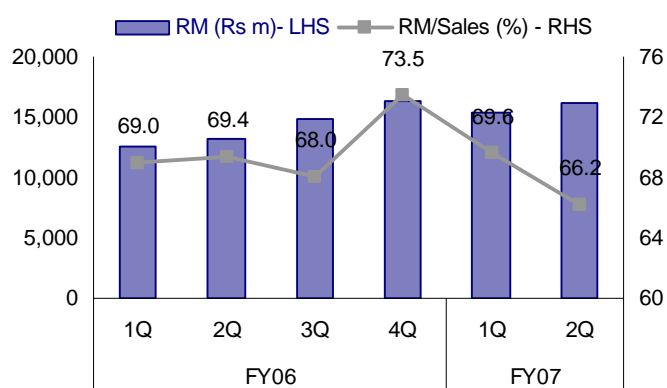
M&M has also started sourcing material for both the divisions - automotive and farm equipment. We believe the synergies in sourcing may help M&M maintain margins at current levels, going forward. Mahindra Systech will serve as the sourcing partner.

**EBITDA MARGIN IMPROVES**



Source: Company/ Motilal Oswal Securities

**AS RAW MATERIAL COSTS DECLINE**



Source: Company/ Motilal Oswal Securities

**Adjusted PAT up 55.8% YoY**

Reported PAT grew 166% YoY to Rs3.9b. However, the 2QFY07 numbers include a special dividend from Tech Mahindra, octroi refund of Rs404m, and extraordinary profit on account of the Tech Mahindra IPO.

**SEGMENT-WISE DETAILS (RS M)**

	1QFY06	2QFY06	3QFY06	4QFY06	1QFY07	2QFY07
<b>Revenue from Operations</b>						
Automotive Segment	10,991	12,793	13,566	14,848	12,248	15,161
Farm Equipment Segment	6,823	6,088	7,988	7,641	9,463	8,833
Other Segments	634	745	801	891	926	1,151
<b>Total *</b>	<b>18,448</b>	<b>19,625</b>	<b>22,354</b>	<b>23,380</b>	<b>22,637</b>	<b>25,145</b>
<b>Profit/Loss Before Interest and Tax</b>						
Automotive Segment	963	1,308	1,887	1,455	1,040	1,914
Farm Equipment Segment	663	716	985	802	1,274	1,255
Other Segments	29	29	31	35	35	39
<b>Total *</b>	<b>1,655</b>	<b>2,054</b>	<b>2,904</b>	<b>2,292</b>	<b>2,350</b>	<b>3,208</b>
<b>Margins (%)</b>						
Automotive Segment	8.8	10.2	13.9	9.8	8.5	12.6
Farm Equipment Segment	9.7	11.8	12.3	10.5	13.5	14.2
<b>Capital Employed</b>						
Automotive Segment	9,481	10,742	10,610	11,490	10,909	11,645
Farm Equipment Segment	5,737	6,587	6,264	5,991	6,250	7,456
Other Segments	160	120	126	219	198	79
<b>Total</b>	<b>15,378</b>	<b>17,449</b>	<b>17,000</b>	<b>17,701</b>	<b>17,357</b>	<b>19,180</b>
<b>ROCE (%)</b>						
Automotive Segment	10.2	12.2	17.8	12.7	9.5	16.4
Farm Equipment Segment	11.6	10.9	15.7	13.4	20.4	16.8
<b>Total</b>	<b>10.8</b>	<b>11.8</b>	<b>17.1</b>	<b>12.9</b>	<b>13.5</b>	<b>16.7</b>

\* Includes inter-segmental revenues

Source: Company/ Motilal Oswal Securities

## ADJUSTMENT FOR SPECIAL / EXTRAORDINARY ITEMS

PARTICULARS	2QFY07			YOY GR (%)
	PBT	TAX	PAT	
Profit bef. Excep./Special items	3,424	-952	2,472	56.2
<b>Special items</b>				
Octroi Refund	404	-136	268	
Tech Mahindra (Special div.)	251	0	251	
<b>Total of Special items</b>	<b>655</b>	<b>-136</b>	<b>519</b>	
Profit before exceptional items	4,079	-1,088	2,991	89.1
<b>Exceptional items</b>				
Tech Mahindra IPO profit	1,175	-291	884	
VRS	-15	5	-10	
<b>Total of Exceptional items</b>	<b>1,160</b>	<b>-286</b>	<b>874</b>	
<b>Profit aft.Excep./Special itm</b>	<b>5,239</b>	<b>-1,374</b>	<b>3,865</b>	<b>145.8</b>

Source: Company/ Motilal Oswal Securities

After adjusting for these extraordinary items, M&M's standalone adj. PAT increased 55.8% YoY to Rs2.5b, which is above our as well as consensus estimates.

### Consolidated results: Robust performance

Total income (including other income, but excluding octroi refund) increased by 44.4% to Rs45.8b, due to all-round strong performance of group companies as well as that of the parent. PBT (before exceptional items) grew 75% to Rs5.8b resulting in adj. PAT growth (after minority interest and share of profit of associates) of 64% to Rs3.6b.

## SUBSIDIARY PERFORMANCE (RS M)

	2Q FY07	2Q FY06	YOY GR (%)
<b>MMFSL</b>			
Nil	1,187	1,000	18.6
EBITDA	746	633	17.9
EBITDA Margins (%)	63	63	
<b>Net Profit</b>	<b>303</b>	<b>280</b>	<b>8.2</b>
<b>Mahindra Gesco Limited</b>			
Net Sales	454	230	97.9
EBITDA	70	35	98.0
EBITDA Margins (%)	15	15	
<b>Net Profit</b>	<b>28</b>	<b>23</b>	<b>21.2</b>
<b>Tech Mahindra</b>			
Net Sales	6,977	2,469	182.6
EBITDA	1,644	415	296.1
EBITDA Margins (%)	24	17	
<b>Net Profit</b>	<b>1,431</b>	<b>375</b>	<b>281.6</b>
<b>MUSCO</b>			
Net Sales	1,897	1,414	34.2
EBITDA	277	235	17.9
EBITDA Margins (%)	15	17	
<b>Net Profit</b>	<b>140</b>	<b>150</b>	<b>-6.8</b>

Source: Company/ Motilal Oswal Securities

### Investment arguments

Core business - from strength to strength: M&M enjoys market leadership in both utility vehicles (UVs) and tractors. Given the rural bias in its product mix, we expect the company to benefit significantly from the government's thrust on the development of rural economy. We believe the company would witness robust volume growth in tractors (14% CAGR over FY06-FY08) and UVs (10% CAGR over FY06-FY08) over next two years.

### We estimate 14% sales CAGR for tractors over FY06-FY08

The current UPA government is committed to improving the terms of trade for rural economy. Being the industry leader, with market share of 30%, we expect M&M's tractor volumes to grow at least in line with industry.

### UVs - expect 10% CAGR over FY06-FY08

Driven by rising UV penetration and improvement in road infrastructure, we expect UVs to outperform the passenger vehicle segment. In our opinion, M&M is best positioned in the UV segment. It provides the full range of UVs across user segment - taxi, semi urban, rural and urban.

### Subsidiaries and associates - adding substantial value

M&M has invested in other Mahindra group companies. M&M's non-automotive subsidiaries like the recently listed Tech Mahindra and Mahindra Financial Services (MMFSL) would continue to add significantly to M&M's consolidated financials, and, along with Mahindra Gesco, would also add to its valuations. We estimate the value of its non-automotive subsidiaries at Rs228/share of M&M.

### Recent JVs - potential blockbusters

Its recent JVs with Renault and ITEC, which would enable it to enter the passenger car and commercial vehicle segment, are potential blockbusters in our opinion. Besides, the company's acquisition-led strategy is fuelling growth of its automotive parts division, Mahindra Systech (MS). MS, which has made a host of acquisitions in the past 12 months, including Stokes, Amforge's Chakan plant and Jeco Holdings, is targeting revenues of US\$1b by 2010.

**Valuation and view**

We remain positive on the growth prospects of M&M's core business. The government's thrust on the rural economy, normal monsoons and strong economic activity will sustain strong volumes going forward. With several growth drivers for the company over the next 3-4 years, M&M remains one of our top bets in the auto sector.

We have upgraded our M&M standalone profit estimates by 13.9% and 18.3% for FY07 and FY08 respectively, to

factor in the higher than expected growth seen during the quarter. Simultaneously, we have adjusted the EPS for the FCCB issue in April 2006, and the ESOPs announced following the 2QFY07 results. This has resulted in 4.8% dilution in the company's equity, which has been incorporated into the revised standalone and consolidated EPS estimates. The stock trades at 14.3x FY07E cons EPS of Rs53.2, and 12x FY08E cons EPS of Rs63.8. Reiterate **Buy**, with an upgraded price target of Rs930 to reflect the strong core business performance and high growth achieved by Tech Mahindra.

## Mahindra & Mahindra: an investment profile

### Company description

Mahindra & Mahindra, the leading UV and Tractor manufacturer in the country, has gone from strength to strength during the quarter. Its market share in overall tractor sales stands at 30.3%. It is also expected to benefit from the Government's thrust on the development of the rural economy. In the UV segment, it is expected to maintain its market share in even in the face of competition.

### Key investment arguments

- ✍ M&M has been able to increase its tractor volumes at 29.7% YoY in 2QFY07, which is slightly higher than the industry growth.
- ✍ The company's increased focus on exports and the well acceptance of the Scorpio despite strong competition is a big positive. We expect UV's to outperform the passenger vehicle market, with M&M being best positioned in this segment.

### Key investments risks

- ✍ Numerous launches in the UV has lead to an increase in the competitive scenario
- ✍ Susceptibility to monsoons remains a key threat in the tractors segment.

#### COMPARATIVE VALUATIONS

		M&M	TATA MOTORS	MARUTI
P/E (x)	FY07E	14.3	15.1	17.5
	FY08E	12.0	13.2	15.1
EPS Gr (%)	FY07E	40.9	41.1	29.5
	FY08E	19.8	14.1	16.1
RoE (%)	FY07E	25.0	29.8	22.8
	FY08E	23.9	27.0	21.5
EV/EBITDA (x)	FY07E	12.1	9.3	10.3
	FY08E	10.3	8.0	8.4

#### SHAREHOLDING PATTERN (%)

	SEP.06	JUN.06	SEP.05
Promoter	23.1	23.0	24.2
Domestic Inst	21.6	21.8	24.5
Foreign	41.9	41.7	36.9
Others	13.5	13.5	14.4

### Recent developments

- ✍ Mahindra – Renault's first product launch – the Logan, will be in the fast growing 'C' segment. The JV would start contributing positively to M&M's consolidated earnings post FY08.
- ✍ Tech Mahindra made a successful maiden public offering.

### Valuation and view

- ✍ we have adjusted the EPS for the FCCB issue in April 2006, and the ESOPs announced following the 2QFY07 results
- ✍ The stock trades at 14.3x FY07E cons EPS of Rs53.2, and 12x FY08E cons EPS of Rs63.8. Reiterate **Buy**, with an upgraded price target of Rs930 to reflect the strong core business performance and high growth achieved by Tech Mahindra.

### Sector view

- ✍ We remain bullish on the macro growth picture for passenger cars in India
- ✍ We also believe that within passenger cars, UVs will increase their market share consistently over the next few years
- ✍ We maintain an overweight stance on the sector.

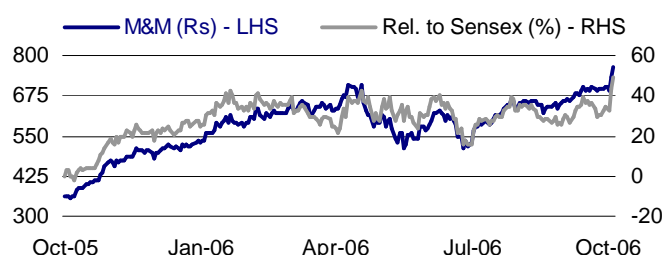
#### EPS: MOST FORECAST VS CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY07	54.7	48.3	13.3
FY08	65.7	56.9	15.4

#### TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
763	930	21.9	Buy

#### STOCK PERFORMANCE (1 YEAR)





INCOME STATEMENT					
(Rs Million)					
Y/E MARCH	2005	2006	2007E	2008E	2009E
<b>Net Sales</b>	<b>65,307</b>	<b>79,888</b>	<b>94,926</b>	<b>104,953</b>	<b>116,174</b>
Change (%)	33.7	22.3	18.8	10.6	10.7
Operating Other Income	1,299	1,524	1,512	712	712
<b>Total Income</b>	<b>66,606</b>	<b>81,412</b>	<b>96,438</b>	<b>105,665</b>	<b>116,886</b>
Total Expenditure	58,897	72,546	84,093	91,577	101,232
<b>EBITDA</b>	<b>7,709</b>	<b>8,865</b>	<b>12,345</b>	<b>14,087</b>	<b>15,654</b>
Change (%)	50.8	15.0	39.3	11.1	11.1
% of Net Sales	11.6	10.9	12.8	13.3	13.4
Depreciation	1,840	2,000	2,115	2,421	2,727
<b>EBIT</b>	<b>5,869</b>	<b>6,865</b>	<b>10,230</b>	<b>11,666</b>	<b>12,927</b>
Deferred Revenue Exp.	0	0	15	0	0
Interest & Finance Charges	-56	-184	-400	-70	-70
Other Income	1,084	1,854	1,895	1,938	2,062
Non-recurring Expense	3	8	15	0	0
Non-recurring Income	136	2,100	1,583	0	0
<b>Profit before Tax</b>	<b>7,141</b>	<b>10,995</b>	<b>14,078</b>	<b>13,674</b>	<b>15,059</b>
Tax	2,015	2,424	3,440	3,418	3,765
Effective Rate (%)	28.2	22.0	24.4	25.0	25.0
<b>Profit after Tax</b>	<b>5,126</b>	<b>8,571</b>	<b>10,638</b>	<b>10,255</b>	<b>11,294</b>
% of Net Sales	7.7	10.5	11.0	9.7	9.7
<b>Adj. Profit after Tax</b>	<b>5,040</b>	<b>6,479</b>	<b>9,070</b>	<b>10,255</b>	<b>11,294</b>
Change (%)	52.0	28.6	40.0	13.1	10.1

BALANCE SHEET					
(Rs Million)					
Y/E MARCH	2005	2006	2007E	2008E	2009E
Share Capital	2,320	2,334	2,334	2,334	2,334
Reserves	18,962	26,755	33,927	40,615	48,340
<b>Net Worth</b>	<b>21,283</b>	<b>29,089</b>	<b>36,261</b>	<b>42,949</b>	<b>50,674</b>
Deferred tax	1,898	1,468	1,468	1,468	1,468
Loans	10,526	8,834	8,834	8,834	8,834
<b>Capital Employed</b>	<b>33,706</b>	<b>39,390</b>	<b>46,562</b>	<b>53,250</b>	<b>60,976</b>
Gross Fixed Assets	26,997	28,855	33,355	37,855	42,355
Less: Depreciation	13,356	15,103	17,218	19,639	22,366
<b>Net Fixed Assets</b>	<b>13,642</b>	<b>13,753</b>	<b>16,137</b>	<b>18,216</b>	<b>19,989</b>
Capital WIP	1,107	1,792	502	503	503
Investments	11,898	16,691	12,898	13,398	13,898
<b>Curr.Assets, L &amp; Adv.</b>	<b>24,334</b>	<b>27,614</b>	<b>44,854</b>	<b>50,778</b>	<b>58,916</b>
Inventory	7,294	8,419	10,399	11,576	12,796
Sundry Debtors	5,115	6,380	7,376	8,171	9,062
Cash & Bank Balances	6,240	7,303	24,169	28,109	34,125
Loans & Advances	4,197	5,112	2,501	2,502	2,502
Others	1,488	400	410	420	430
<b>Current Liab. &amp; Prov.</b>	<b>17,518</b>	<b>20,640</b>	<b>27,829</b>	<b>29,644</b>	<b>32,330</b>
Sundry Creditors	10,948	13,707	19,293	21,056	23,345
Other Liabilities	1,572	1,502	1,552	1,602	1,652
Provisions	4,997	5,431	6,985	6,987	7,333
<b>Net Current Assets</b>	<b>6,816</b>	<b>6,974</b>	<b>17,025</b>	<b>21,133</b>	<b>26,586</b>
Misc. Expenditures	244	181	0	0	0
<b>Application of Funds</b>	<b>33,706</b>	<b>39,390</b>	<b>46,562</b>	<b>53,250</b>	<b>60,976</b>

E: M O S t Estimates

RATIOS					
Y/E MARCH	2005	2006	2007E	2008E	2009E
<b>Basic (Rs)</b>					
<b>Adjusted EPS</b>	<b>19.7</b>	<b>25.3</b>	<b>35.4</b>	<b>40.1</b>	<b>44.1</b>
<b>Consolidated EPS</b>	<b>24.2</b>	<b>37.8</b>	<b>53.2</b>	<b>63.8</b>	<b>73.9</b>
Cash EPS	29.7	36.3	47.9	54.3	60.1
Book Value per Share	91.7	124.6	155.4	184.0	217.1
DPS	6.5	5.0	7.5	7.6	7.6
Payout (Incl. Div. Tax) %	59.6	27.6	33.3	34.8	31.6
<b>Valuation (x)</b>					
P/E	38.8	30.2	21.5	19.1	17.3
Consolidated P/E	31.5	20.2	14.3	12.0	10.3
Cash P/E	25.7	21.0	15.9	14.1	12.7
EV/EBITDA	22.0	18.4	12.1	10.3	8.9
EV/Sales	2.6	2.0	1.6	1.4	1.2
Price to Book Value	8.3	6.1	4.9	4.1	3.5
Dividend Yield (%)	0.9	0.7	1.0	1.0	1.0
<b>Profitability Ratios (%)</b>					
RoE	23.7	22.3	25.0	23.9	22.3
RoCE	20.6	22.1	26.0	25.5	24.6
<b>Turnover Ratios</b>					
Debtors (Days)	25	26	25	25	25
Asset Turnover (x)	1.9	2.0	2.0	2.0	1.9
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.5	0.3	0.2	0.2	0.2

CASH FLOW STATEMENT					
(Rs Million)					
Y/E MARCH	2005	2006	2007E	2008E	2009E
OP/(Loss) before Tax	5,869	6,865	10,215	11,666	12,927
Int./Dividends Received	1,084	1,854	1,895	1,938	2,062
Depreciation & Amort.	1,840	2,000	2,115	2,421	2,727
Direct Taxes Paid	-2,150	-2,854	-3,440	-3,418	-3,765
(Inc)/Dec in Wkg. Capital	6	905	6,815	-168	564
<b>CF from Oper. Activity</b>	<b>6,649</b>	<b>8,770</b>	<b>17,600</b>	<b>12,438</b>	<b>14,515</b>
Extra-ordinary Items	132	2,092	1,568	0	0
Other Items	-147	63	181	0	0
<b>CF after EO Items</b>	<b>6,634</b>	<b>10,926</b>	<b>19,348</b>	<b>12,438</b>	<b>14,515</b>
(Inc)/Dec in FA+CWIP	-2,471	-2,796	-3,210	-4,501	-4,500
(Pur)/Sale of Invest.	-786	-4,793	3,793	-500	-500
<b>CF from Inv. Activity</b>	<b>-3,257</b>	<b>-7,589</b>	<b>583</b>	<b>-5,001</b>	<b>-5,000</b>
Change in Net Worth	300	1,598	79	3	2
Inc/(Dec) in Debt	3,228	-1,692	0	0	0
Interest Paid	56	184	400	70	70
Dividends Paid	-3,054	-2,363	-3,545	-3,568	-3,568
<b>CF from Fin. Activity</b>	<b>530</b>	<b>-2,274</b>	<b>-3,066</b>	<b>-3,495</b>	<b>-3,496</b>
<b>Inc/(Dec) in Cash</b>	<b>3,907</b>	<b>1,063</b>	<b>16,865</b>	<b>3,942</b>	<b>6,018</b>
Add: Beginning Balance	2,333	6,240	7,303	24,169	28,109
<b>Closing Balance</b>	<b>6,240</b>	<b>7,303</b>	<b>24,169</b>	<b>28,111</b>	<b>34,127</b>

E: M O S t Estimates

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**Disclosure of Interest Statement**

**Mahindra & Mahindra**

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|---|----|
| 1. Analyst ownership of the stock                       | No |
| 2. Group/Directors ownership of the stock               | No |
| 3. Broking relationship with company covered            | No |
| 4. Investment Banking relationship with company covered | No |

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