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Q4 FY07
Result Update

M&M Finance

Market Performer

Rs 233

April 26, 2007

Strong Business growth with stable margins

Company Details		Result Snapshot	
Market Cap:	Rs 20,034m	<p>M&M finance has reported 38%yoy growth in its operating income for the quarter to Rs. 2.7bn compared to Rs. 1.9bn a year ago.</p> <p>The loan book has grown by 32% for the year to Rs.58bn. The composition of tractors in the book has grown to around 22-25% increasing the overall yields to 15% from 14.5% last year.</p> <p>It has added 45801 new contracts in the quarter compared to 52715 contracts in Q3FY07. Overall in FY07 the company added 173110 contracts. Gross NPA as a percentage of average advances stands at is 6.9% for the year, while Net NPA stands at 3%.</p> <p>At the CMP of Rs. 233, the stock trades at 3x and 2.3x its adjusted book value of Rs. 77 and Rs 90 for FY08E and FY09E respectively. We maintain Market Performer rating.</p>	
52 Week High/Low:	Rs 299 / 159		
Bloomberg Code:	MMFS@IN		
Reuters Code:	MMFS.BO / NS		
Shares O/s:	86m		
Average Volume (3 months):	58,534 shares		
Price Performance			
(%)	1m	3m	12m
Absolute	1.3	(9.1)	0.3
Relative to Sensex	(7.0)	(8.6)	(18.7)

Quarterly Table

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Total Operating Income	2,699	1,948	38.5	2,137	5,861	8,368	42.8
Expenses							
Interest Expenses	957	676	41.6	856	2,194	3,240	47.7
Employee Expenses	211	130	61.5	154	415	684	64.9
<i>% of revenue</i>	<i>7.8</i>	<i>6.7</i>		<i>7.2</i>	<i>7.1</i>	<i>8.2</i>	
Depreciation	29	16	85.1	16	52	74	43.7
Other Operating Exp	347	271	27.9	342	858	1,210	41.1
Total Expenses	1,544	1,093	41.2	1,367	3,518	5,209	48.1
Profit before Provision	1,155	855	35.1	770	2,343	3,159	34.8
Provisions	245	185	32.9	415	816	1,223	49.9
Other Income	16	48	(66.4)	32	119	132	10.8
PBT	926	719	28.8	387	1,646	2,068	25.6
Tax	331	239	38.2	131	555	720	29.9
<i>ETR (%)</i>	<i>35.7</i>	<i>33.3</i>		<i>33.8</i>	<i>33.7</i>	<i>34.8</i>	
PAT	595	480	24.1	256	1,091	1,347	23.5

(Stock price as on April 25, 2007)



Result Highlights

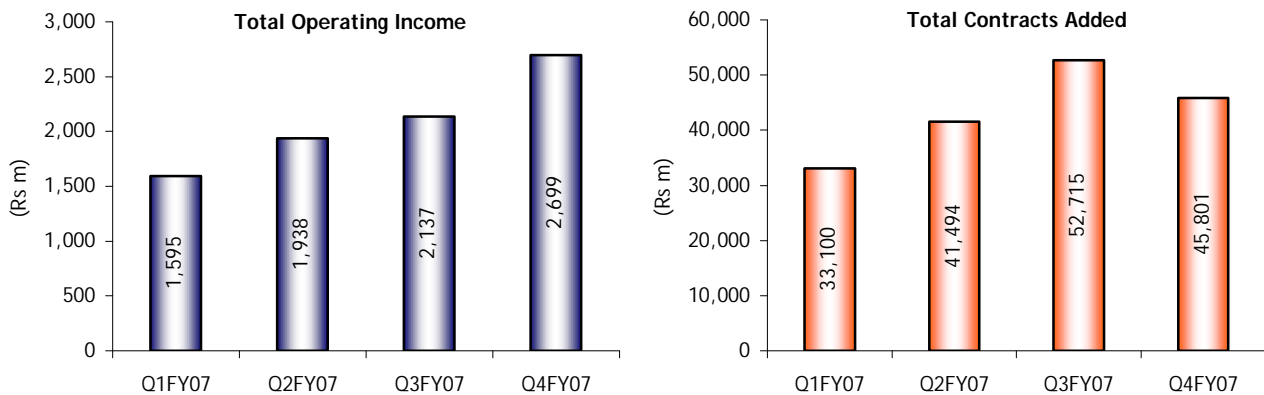
Net Interest Income for the quarter has increased by 38% for the year to Rs. 5bn from Rs.3.6bn. Interest expense for Q4FY07 stands at Rs. 957m, a yoy growth of 42%. During the year income from insurance activities have increased 3x to Rs. 119m from Rs. 38m.

Commercial vehicles continue to dominate the Rs.58.65bn loan book with almost 45% share. The share of tractors has increased to almost 22-25% from 18-20% a year ago. Yields on tractors are in the range of 16-18%, increasing the overall yield for the company to 15%. Gross NPA for the year stands at Rs. 3.5bn. The company has made provisions of Rs. 2.bn, bringing the total Net NPA to 3% of the average advance.

M&M finance company has been able to maintain spreads at 7.63%, however going ahead we expect them to gradually reduce to 7.3% in FY08 with the rising cost of funds.

4th Quarter, being the post harvest quarter is believed to be a good collection period for the company, whereas there is no substantial growth seen in the loan book during the quarter. The company has increased its presence by having 403 branches across the nation compared to 306 branches a year ago. The company plans to exploit the branch network by widening its product offering in the future.

Post harvest season leads to higher collections



Source: Company Data, PL Research

M&M finance has securitised assets worth Rs. 6.17bn against which they have received a realization of Rs. 5.6bn. During FY06 it securitised assets worth Rs. 5.56bn for which they realized Rs.5.1bn. The company is witnessing rising demand for securitization from the banks as M&M finance's portfolio matches the priority sector lending norms for banks.

With the acquisition of Punjab tractors by Mahindra and Mahindra, the tractor financing market has increased for M&M finance. M&M and Punjab tractors together command around 40% market share, thus increasing the scope of financing tractors for M&M finance.

**Key Figures**

Y/e March	FY06	FY07	FY08E	FY09E
NII (Rs m)	3,630	5,256	6,503	8,054
PPP (Rs m)	2,343	3,352	4,124	5,091
PAT (Rs m)	1,091	1,347	1,689	2,061
EPS (Rs)	12.4	15.3	19.1	23.2
PER (x)	18.7	15.2	12.1	10.0
BVPS (Rs)	79.6	90.0	102.9	121.3
P/BVPS (x)	2.9	2.6	2.3	1.9
ABVPS (Rs)	65.5	74.1	77.5	89.8
P/ABVPS (x)	3.5	3.1	3.0	2.6
<i>RoAA (%)</i>	<i>2.9</i>	<i>2.6</i>	<i>2.6</i>	<i>2.5</i>
<i>RoE (%)</i>	<i>15.9</i>	<i>17.3</i>	<i>18.6</i>	<i>19.2</i>

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