

Mahindra and Mahindra

Jan volume – UVs/pick-ups post strong growth, tractor sales muted

- M&M's total sales rose 12% yoy to 64,072 units led by strong automobile segment sales even as tractor sales declined.
- While UV sales grew 15% yoy to 18,446 units, pick-up sales grew 35% yoy to 13,725 units.
- Tractor sales declined 6% yoy to 19,354 units, the third consecutive month of muted sales.
- Appears fairly valued at current levels.
- Maintain In-Line.

Total sales up 12% yoy. M&M's Jan 2012 sales grew 12% yoy to 64,072 units led primarily by strong UV sales (+15% yoy) as well as strong pick-up sales (+35% yoy) even as tractor sales declined 6% yoy.

Auto segment sales up 22% yoy. Total auto segment sales grew 22% yoy in Jan 2012 to 44,718 units led by strong UV/pick-up segment sales. While UV sales grew 15% yoy to 18,446 units, pick-up sales grew 35% yoy to 13,725 units. Verito sales continued its steady uptrend and posted 37% yoy growth to 1,529 units over a low base. The 3W segment sales remained flat yoy at 6,126 units.

Tractor sales decline 6% yoy. Tractor sales for Jan 2012 declined 6% yoy to 19,354 units. This is the third consecutive month of muted tractor sales. Also alarming was the fact that domestic tractor sales declined 8% yoy to 17,950 units. Exports, however, grew 31% yoy to 1,404 units.

Valuation. Disappointing tractor sales for the third month in a row only highlights concerns of a slowdown in the industry which has witnessed strong volume off-take for the last 2 years. Thus, despite strong auto segment volumes, muted tractor off-take may limit overall growth. Also, rising cost pressure is likely to lead to margin pressure going forward. Further, slower growth from other business segments (like IT, Real Estate, ancillary, etc) is expected to keep consolidated earnings muted. Maintain In-Line with a price target of Rs729.

IN-LINE (unchanged)

PRICE as at 01 February 2012 **Rs688.90** PRICE TARGET **Rs729.00**

Bloomberg code
MM IN

Reuters code
MAHM.BO

Market cap
Rs404,577m (US\$8,182m)

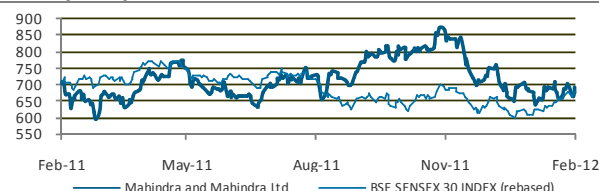
12 month range
Rs595.20 - 870.50

EPS adj est change 2012E - 2013E -

Year end: March	2011	2012E	2013E	2014E
Sales (Rsm)	227,575	263,095	294,741	327,238
EBITDA (Rsm)	32,575	36,606	39,601	46,090
EBIT (Rsm)	28,436	32,389	34,499	40,207
Pretax profit (Rsm)	35,196	36,819	38,930	43,892
Net profit adjusted (Rsm)	24,526	27,615	28,808	32,919
FCF (Rsm)	23,987	18,666	32,481	38,370
EPS adjusted (Rs)	37.90	42.67	44.51	50.86
DPS (Rs)	12.02	13.00	14.00	13.00
Book value/share (Rs)	175.61	203.79	236.03	276.28
EPS growth adj (%)	23.0	12.6	4.3	14.3
DPS growth (%)	23.8	8.1	7.7	-7.1
EBITDA margin (%)	14.3	13.9	13.4	14.1
EBIT margin (%)	12.5	12.3	11.7	12.3
Net margin adj (%)	10.8	10.5	9.8	10.1
Div payout (%)	26.5	28.2	29.1	23.6
Net gearing (%)	36.8	22.5	2.8	-15.3
ROE (%)	29.4	24.5	21.9	21.5
ROCE (%)	20.4	20.2	19.2	20.0
EV/Sales (x)	1.9	1.7	1.4	1.2
EV/EBITDA (x)	12.9	12.0	10.5	8.4
PBR (x)	4.0	3.4	2.9	2.5
PER adj (x)	17.4	16.1	15.5	13.5
Dividend yield (%)	1.8	1.9	2.0	1.9

Source: Company, Standard Chartered Research estimates

Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	1	-17	-2
Relative to Index	-10	-17	2
Relative to Sector	-	-	-
Major shareholder	Promoters (24.9%)		
Free float	75%		
Average turnover (US\$)	34,092,231		

Source: Company, FactSet

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Fig 1 – M&M Jan 2012 sales performance

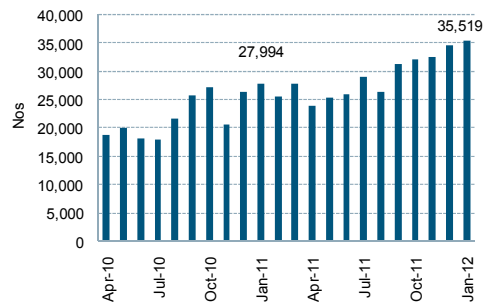
	Jan-12	Jan-11	Dec-11	YoY (%) chg	MoM (%) chg	FY12	FY11	YTD (%) chg
UV's	18,446	16,088	18,078	14.7	2.0	162,078	138,615	16.9
4 Wheel - pick-ups	13,725	10,193	13,757	34.7	-0.2	124,455	84,165	47.9
3W	6,126	6,177	5,744	-0.8	6.7	57,240	50,648	13.0
Verito	1,529	1,120	1,263	36.5	21.1	14,444	7,840	84.2
LCVs, MHCVs	1,543	1,023	1,049	50.8	47.1	11,049	9,298	18.8
Exports	3,349	2,117	2,870	58.2	16.7	23,892	15,597	53.2
Total Auto sales	44,718	36,718	42,761	21.8	4.6	393,158	306,163	28.4
Tractors	19,354	20,499	16,389	-5.6	18.1	202,723	174,764	16.0
Total sales	64,072	57,217	59,150	12.0	8.3	595,881	480,927	23.9

Product mix

	Jan-12	Jan-11	Dec-11	FY12	FY11
UV's	28.8	28.1	30.6	27.2	28.8
4 Wheel - pick-ups	21.4	17.8	23.3	20.9	17.5
3W	9.6	10.8	9.7	9.6	10.5
Verito	2.4	2.0	2.1	2.4	1.6
LCVs, MHCVs	2.4	1.8	1.8	1.9	1.9
Exports	5.2	3.7	4.9	4.0	3.2
Total Auto sales	69.8	64.2	72.3	66.0	63.7
Tractors	30.2	35.8	27.7	34.0	36.3
Total sales	100.0	100.0	100.0	100.0	100.0

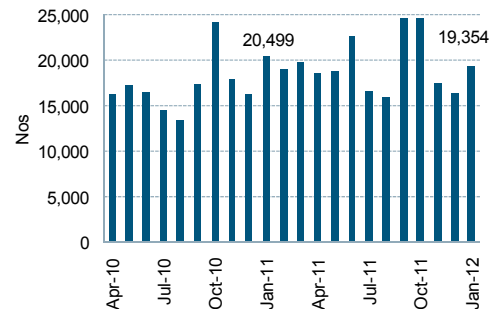
Source: Company, Standard Chartered Research

Fig 2 – UV (incl pick-ups) up 25% yoy



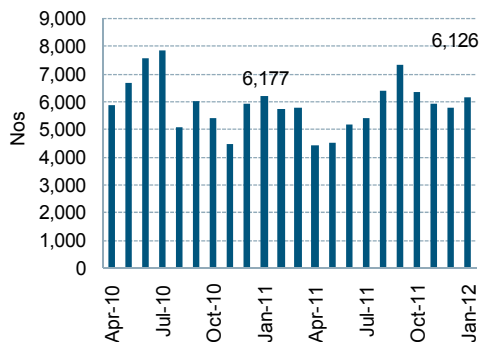
Source: Company, Standard Chartered Research

Fig 3 – Tractor sales down 6% yoy



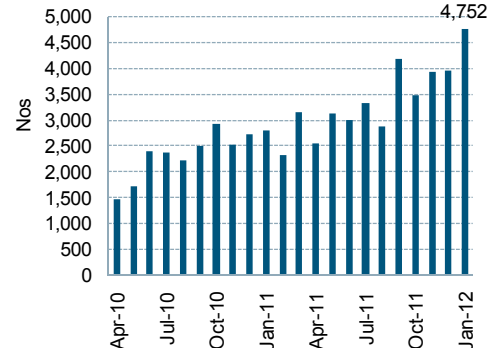
Source: Company, Standard Chartered Research

Fig 4 – 3W sales flat yoy



Source: Company, Standard Chartered Research

Fig 5 – Total exports up 58% yoy



Source: Company, Standard Chartered Research



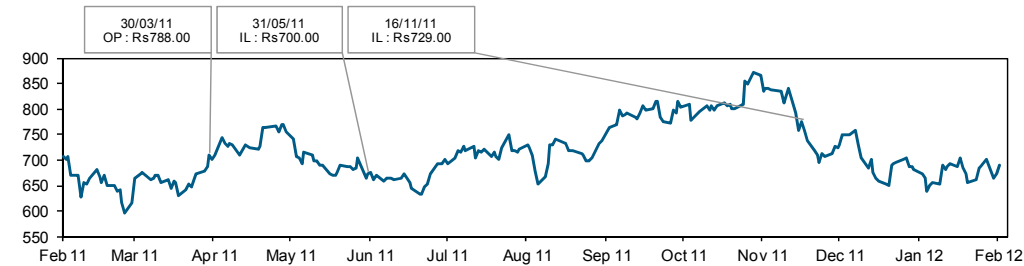
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Mahindra & Mahindra Ltd.



Source: FactSet prices / SCB ratings and price targets

Recommendation Distribution and Investment Banking Relationships

	% of covered companies currently assigned this rating	% of companies assigned this rating with which SCB has provided investment banking services over the past 12 months
OUTPERFORM	57.0%	9.6%
IN-LINE	31.1%	9.7%
UNDERPERFORM	11.9%	12.7%

As of 31 December 2011

Research Recommendation

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