

Mahindra & Mahindra

Apr '07 Sales - Unit sales growth of 8% led by UV's - ALERT

- M&M reported modest unit sales growth of 8% yoy for April. Growth was driven by utility vehicles (+17% yoy) while tractor sales were flat yoy (1% yoy).
- Within the Automotive segment, UV sales grew 17% yoy with growth being led by other UV's (semi urban segment and pik up vehicles). We believe that the sales growth was aided by strong sales of the stripped-down version of the *Bolero* (that was launched in Mar'07) and the low base effect (of last April).
- After witnessing declining growth rates over 2H FY07, tractor sales flattened out in April (+1% yoy). The tightening of lending norms by banks along with the high base effect led to the slowdown.
- Mahindra launched the Renault *Logan* in April in the entry-level C segment at a competitive price point of Rs428,000. The total project cost was a modest \$130MM (Rs7B), thus allowing for the competitive pricing. The *Logan*, which will come in both diesel and petrol variants, will compete with rival models such as Maruti *Esteem* and Tata *Indigo*.
- M&M plans to raise \$300MM (Rs13B) over the next year. The amount will be raised via FCCB/ECB/QIP. M&M has committed itself to several new projects over the next two years, namely the Renault Nissan plant and the new commercial vehicle plant (tie up with International Trucks of the US), besides its own new platform launch. This, coupled with the recent acquisitions in the auto parts space and the buyout of Punjab Tractors, has necessitated the fund-raising.
- Mahindra forging, a group company of M&M has recently considered a proposal for amalgamating the entire forgings business within its fold. Currently, the acquired companies (Jeco, Schoneweiss, Hinoday and Stokes) are in M&M's books. By amalgamating these entities with Mahindra Forging, the combined turnover will increase to \$500MM from \$50MM currently. However, this amalgamation process will take 6-12 months to be completed.
- Over March, M&M marginally underperformed the market – up 9% vs 11% for the BSE Sensex.

Overweight

Rs792.25

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Automobile Manufacture

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Table 1: M&M Monthly Sales

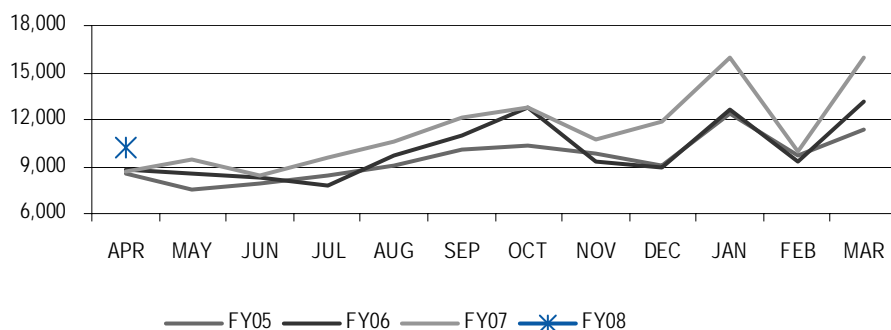
Number of units, year-end March

	Apr 07	Apr 06	%YoY	Mar 07	%MoM	FY08 YTD	FY07 YTD	% YTD
UV's	10,220	8,701	17	15,964	-36	10,220	8,701	17
Scorpio's (of above)	2,974	3,153	-6	4,769	-38	2,974	3,153	-6
Other UV's (of above)	7,246	5,548	31	11,195	-35	7,246	5,548	31
LCV	642	511	26	1,011	-36	642	511	26
Three Wheelers	2,005	2,021	-1	3,648	-45	2,005	2,021	-1
Total Automotive	12,867	11,233	15	20,623	-38	12,867	11,233	15
Tractors	9,060	8,999	1	7,805	16	9,060	8,999	1
Total Sales	21,927	20,232	8	28,428	-23	21,927	20,232	8
Export - UV's	632	312	103	754	-16	632	312	103
Export - Tractors	785	648	21	752	4	785	648	21
Total Exports (of above)	1,417	960	48	1,506	-6	1,417	960	48

Source: Company

Figure 1: M&M UV Sales Trend

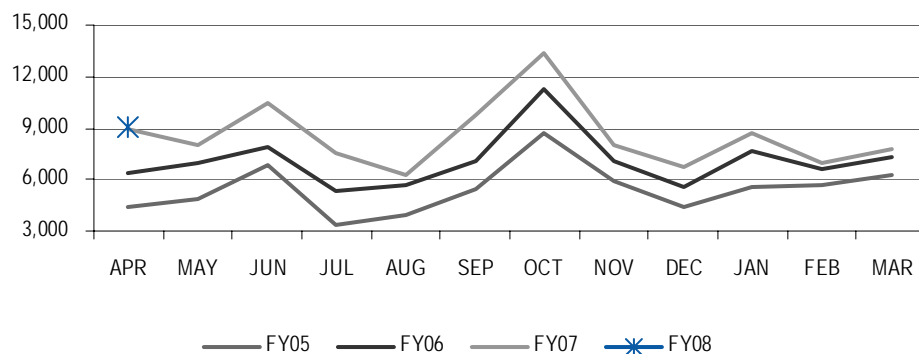
Number of units, year-end March



Source: Company

Figure 2: M&M Tractor Sales Trend

Number of units, year-end March



Source: Company

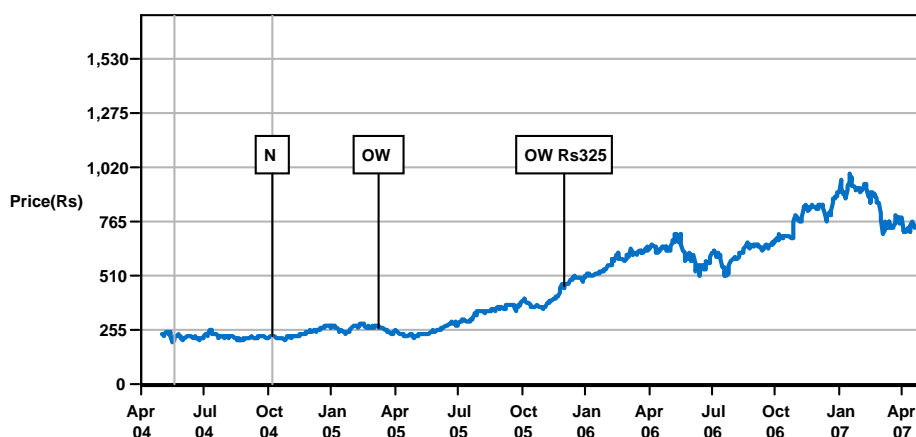
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Mahindra & Mahindra (MAHM.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
08-Oct-04	N	226.48	--
10-Mar-05	OW	269.30	--
30-Nov-05	OW	464.50	325.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Break in coverage May 19, 2004 - Oct 08, 2004. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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