

UBS Investment Research

Mahindra & Mahindra

No surprises in Q2 result

■ Sales, pre-ex PAT in line with expectations

Sales (Rs27bn) were in line with expectations (Rs26.5bn). Pre-ex PAT (after stripping Rs929mn of octroi refund) at Rs2.26bn is also in line with our estimate (Rs2.2bn). BITDA (Rs2.92bn) was slightly lower than expectations (Rs3.02bn) mainly on account of higher staff costs.

■ Higher staff costs

EBITDA margins rose 20bps qoq though declined 260bps yoy. The yoy decline was mainly due to higher staff costs. Staff costs increased 40%yoy and 22% qoq (Rs2.3bn) mainly on account of a significant one-time ex-gratia payment to employee unions apart from recurring elements like hiring of officers and compensation revisions.

■ Consolidated performance stronger than standalone

Though M&M's standalone PAT declined 4.7% YoY in H1FY08, consolidated PAT grew 3%, on the back of strong performance of subsidiaries – Tech Mahindra (+28% PAT growth YoY) and Mahindra Holidays (+141%).

■ Valuation: Maintain PT of Rs950

We value M&M on SOTP (details in report dated September 3). M&M is currently the cheapest auto stock in India – trading at PE of 11x FY08E and 9.5x FY09E. At our price target the company would trade at 11.2x FY09E.

Highlights (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Revenues	121,631.70	174,774.94	211,878.16	248,996.28	286,040.50
EBIT (UBS)	12,776.79	21,858.42	24,886.98	28,693.99	32,851.87
Net Income (UBS)	10,069.42	16,009.90	17,208.57	20,188.59	23,535.63
EPS (UBS, Rs)	43.14	67.07	72.09	84.58	98.60
Net DPS (UBS, Rs)	10.45	11.86	12.00	12.00	14.00

Profitability & Valuation	5-yr hist av.	03/07	03/08E	03/09E	03/10E
EBIT margin %	8.4	12.5	11.7	11.5	11.5
ROIC (EBIT) %	16.1	23.3	21.4	22.2	22.3
EV/EBITDA (core) x	7.0	8.5	8.2	7.2	-
PE (UBS) x	9.0	10.7	11.0	9.4	8.1
Net dividend yield %	7.2	1.6	1.5	1.5	1.8

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs796.35 on 29 Oct 2007 23:40 EDT

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Global Equity Research

India

Automobile Manufacturers

12-month rating **Buy**
Unchanged

12m price target **Rs950.00/US\$24.17**
Unchanged

Price **Rs796.35/US\$20.26**

RIC: MAHM.BO BBG: MM IN

29 October 2007

Trading data (local/US\$)

52-wk range	Rs985.30-611.95/US\$22.29-14.92
Market cap.	Rs190bn/US\$4.84bn
Shares o/s	239m (ORD)
Free float	75%
Avg. daily volume ('000)	195
Avg. daily value (Rsm)	143.0

Balance sheet data 03/08E

Shareholders' equity	Rs62.3bn
P/BV (UBS)	3.1x
Net Cash (debt)	(Rs64.6bn)

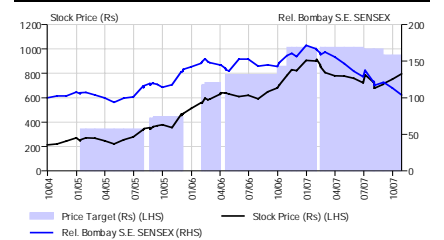
Forecast returns

Forecast price appreciation	+19.3%
Forecast dividend yield	1.5%
Forecast stock return	+20.8%
Market return assumption	12.2%
Forecast excess return	+8.6%

EPS (UBS, Rs)

	03/08E		03/07
	UBS	Cons.	Actual
Q1E	-	-	-
Q2E	-	-	-
Q3E	-	-	-
Q4E	-	-	-
03/08E	72.09	63.85	-
03/09E	84.58	73.94	-

Performance (Rs)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

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Table 1: M&M Q1FY08 result and comparison

Rs.m	Q2 FY07	Q1 FY08	Q2 FY08	YoY	QoQ
Tractor volume	23,556	27317	22,201	-6%	-19%
UV volume	29,505	31171	35,307	20%	13%
LCV volume	1,990	2681	2,792	40%	4%
3-wheeler volumes	8,887	7336	9,117	3%	24%
Exports -automotives	2,759	2436	2,760	0%	13%
Total volume	66697	70941	72,177	8%	2%
Net Sales	24501	26128	27095	11%	4%
EBITDA	3292	2771	2925	-11%	6%
Interest (net)	-155	-51	82	-153%	-261%
PBDT	4177	3138	3534	-15%	13%
Depreciation	501	571	577	15%	1%
PBT & Extraordinaries	3675	2567	2957	-20%	15%
Extraordinary income	1564	-16	910		
PBT	5239	2551	3867	-26%	52%
Tax	1374	640	1008	-27%	58%
Prior period adj					
Net Profit	3865	1912	2859	-26%	50%
Pre-ex PAT	2472	1924	2259	-9%	17%

Source: Company data

Most notable aspects of M&M's Q2 result were sequential drop in raw material cost (as proportion of sales), neutralised by increase in staff cost and other expenses. Staff cost in Q2 included significant one-time ex-gratia payment to employees, though M&M did not quantify the amount.

Table 2: M&M cost structure progression

As % of sales	Q2 FY06	Q3 FY06	Q4 FY06	Q1 FY07	Q2 FY07A	Q3 FY07A	Q4 FY07	Q1 FY08	Q2 FY08
RM (incl stock adj)	69.4%	68.0%	71.5%	69.6%	66.2%	68.3%	70.2%	68.4%	65.9%
Staff cost	6.6%	6.5%	6.1%	7.3%	6.7%	6.9%	5.9%	7.2%	8.5%
Other exp	12.5%	13.3%	10.6%	11.7%	13.7%	12.8%	12.5%	13.7%	14.7%
Provision for contingencies	0.1%	0.1%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.03%	0.15%
Excise as % of gross sales	12.3%	11.7%	12.6%	10.7%	11.8%	11.2%	12.5%	11.2%	12.0%
EBITDA margin	11.4%	12.1%	11.9%	11.3%	13.4%	12.0%	11.4%	10.6%	10.8%

Source: Company data

While automotive margins increased slightly QoQ (on the back of strong volume growth), farm equipment margins moderated. M&M believes a long term steady state margin for the standalone company is c11%.

Table 3: M&M's division-wise performance

	Q2 FY06	Q3 FY06	Q4 FY06	Q1 FY07	Q2 FY07A	Q3 FY07A	Q4 FY07	Q1 FY08	Q2 FY08
Per unit automotive revenue	359603	354668	339378	349343	351431	329463	329167	344890	360557
Per unit farm equipment revenue	335016	332567	353095	345806	374995	360632	381817	380172	412782
Divisionwise EBIT margin									
Automotive	10.2%	11.7%	9.8%	8.5%	12.6%	10.0%	9.9%	8.8%	9.5%
Farm equipment	11.8%	12.4%	10.5%	13.6%	14.2%	15.0%	11.8%	13.4%	12.5%
Other segment	3.9%	3.9%	3.9%	3.8%	3.4%	5.6%	8.7%	2.9%	1.4%
Divisionwise ROCE (Rolling 4 quarters)									
Automotive	44%	49%	47%	50%	52%	46%	55%	55%	41%
Farm equipment	40%	46%	53%	61%	58%	63%	69%	60%	55%
Other segment	91%	109%	57%	66%	178%	85%	124%	91%	58%
Average ROCE	37%	40%	42%	46%	48%	46%	52%	48%	39%

Source: Company data

In H1FY08, M&M's pre-exceptional PAT has declined 4.7% YoY. We expect standalone PAT to decline 3% in FY08 – implying that performance of the company in H1FY08 has been in line with our estimates. We expect automotive volumes to accelerate in H2, on the back of usual seasonal strength. The company also stated that pipeline inventory has declined somewhat in tractors, implying some pick-up in volumes in H2.

Mahindra & Mahindra

Income statement (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Revenues	52,716.27	69,177.36	92,795.13	121,631.70	174,774.94	211,878.16	21.2	248,996.28	17.5	286,040.50	14.9
Operating expenses (ex depre)	(46,282.10)	(61,263.00)	(82,108.58)	(106,021.84)	(149,117.88)	(181,230.27)	21.5	(213,416.02)	17.8	(245,062.86)	14.8
EBITDA (UBS)	6,434.17	7,914.36	10,686.55	15,609.86	25,657.06	30,647.89	19.5	35,580.26	16.1	40,977.64	15.2
Depreciation	(2,128.49)	(2,093.68)	(2,390.99)	(2,833.07)	(3,798.64)	(5,760.91)	51.7	(6,886.27)	19.5	(8,125.77)	18.0
Operating income (EBIT, UBS)	4,305.68	5,820.68	8,295.56	12,776.79	21,858.42	24,886.98	13.9	28,693.99	15.3	32,851.87	14.5
Other income & associates	1,685.51	1,596.95	3,367.04	5,461.82	5,453.58	5,725.59	5.0	6,283.86	9.8	6,912.25	10.0
Net interest	(2,727.84)	(2,062.63)	(1,867.62)	(2,843.57)	(4,097.75)	(5,063.18)	23.6	(5,037.50)	-0.5	(4,882.50)	-3.1
Abnormal items (pre-tax)	219.85	334.47	130.88	2,627.75	(1,038.44)	0.00	-	0.00	-	0.00	-
Profit before tax	3,483.21	5,689.47	9,925.86	18,022.79	22,175.82	25,549.39	15.2	29,940.35	17.2	34,881.62	16.5
Tax	(1,261.44)	(1,454.62)	(3,027.33)	(4,029.38)	(5,957.15)	(6,898.33)	15.8	(8,083.89)	17.2	(9,418.04)	16.5
Profit after tax	2,221.77	4,234.85	6,898.54	13,993.41	16,218.67	18,651.05	15.0	21,856.45	17.2	25,463.58	16.5
Abnormal items (post-tax)	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Minorities / pref dividends	(804.66)	21.21	(83.16)	(1,296.25)	(1,247.21)	(1,442.48)	15.7	(1,667.86)	15.6	(1,927.95)	15.6
Net income (local GAAP)	1,417.11	4,256.05	6,815.38	12,697.17	14,971.46	17,208.57	14.9	20,188.59	17.3	23,535.63	16.6
Net Income (UBS)	1,197.27	3,921.59	6,684.50	10,069.42	16,009.90	17,208.57	7.5	20,188.59	17.3	23,535.63	16.6
Tax rate (%)	36.21	25.57	30.50	22.36	26.86	27.00	0.5	27.00	0.0	27.00	0.0
Pre-abnormal tax rate (%)	79.95	38.71	47.10	40.56	33.54	34.80	3.7	34.17	-1.8	33.67	-1.5
Per share (Rs)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
EPS (local GAAP)	6.11	18.34	29.37	54.40	62.72	72.09	14.9	84.58	17.3	98.60	16.6
EPS (UBS)	5.16	16.90	28.81	43.14	67.07	72.09	7.5	84.58	17.3	98.60	16.6
Net DPS	5.50	9.00	13.51	10.45	11.86	12.00	1.2	12.00	0.0	14.00	16.7
Cash EPS	14.33	25.93	39.12	55.28	82.99	96.23	16.0	113.43	17.9	132.64	16.9
BVPS	76.74	86.77	102.79	159.45	203.44	261.05	28.3	331.15	26.9	412.86	24.7
Balance sheet (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Net tangible fixed assets	19,298.22	18,361.70	20,222.40	26,055.41	47,867.46	57,106.55	19.3	68,220.28	19.5	79,094.51	15.9
Net intangible fixed assets	531.92	220.28	333.11	244.39	190.00	160.00	-15.8	160.00	0.0	160.00	0.0
Net working capital (incl. other assets)	20,134.09	22,297.90	31,753.21	51,857.38	67,952.43	65,431.03	-3.7	73,837.51	12.8	80,691.79	9.3
Other liabilities	(2,376.56)	(2,695.83)	(2,956.49)	(3,377.53)	(3,195.12)	(3,333.09)	4.3	(3,494.76)	4.9	(3,683.13)	5.4
Operating invested capital	37,587.67	38,184.04	49,352.23	74,779.64	112,814.78	119,364.50	5.8	138,723.03	16.2	156,263.18	12.6
Investments	4,430.12	5,039.16	5,953.14	11,803.27	10,180.09	24,133.00	137.1	24,133.00	0.0	24,133.00	0.0
Total capital employed	42,017.79	43,223.20	55,305.38	86,582.91	122,994.87	143,497.50	16.7	162,856.03	13.5	180,396.18	10.8
Shareholders' equity	17,805.21	20,132.17	23,849.78	37,216.26	48,560.97	62,313.30	28.3	79,045.65	26.9	98,549.00	24.7
Minority interests	2,368.63	2,485.31	3,634.16	8,525.07	16,594.82	16,594.82	0.0	16,594.82	0.0	16,594.82	0.0
Total equity	20,173.84	22,617.49	27,483.94	45,741.33	65,155.78	78,908.12	21.1	95,640.47	21.2	115,143.82	20.4
Net debt / (cash)	21,843.95	20,605.71	27,821.44	40,841.59	57,839.08	64,589.38	11.7	67,215.56	4.1	65,252.36	-2.9
Debt deemed provisions	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total capital employed	42,017.79	43,223.20	55,305.38	86,582.91	122,994.87	143,497.50	16.7	162,856.03	13.5	180,396.18	10.8
Cash flow (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Operating income (EBIT, UBS)	4,305.68	5,820.68	8,295.56	12,776.79	21,858.42	24,886.98	13.9	28,693.99	15.3	32,851.87	14.5
Depreciation	2,128.49	2,093.68	2,390.99	2,833.07	3,798.64	5,760.91	51.7	6,886.27	19.5	8,125.77	18.0
Net change in working capital	(1,845.76)	(2,163.81)	(9,455.31)	(20,104.17)	(16,095.06)	2,521.40	-	(8,406.48)	-	(6,854.28)	-18.5
Other (operating)	(907.87)	(56.41)	1,057.60	7,462.25	19,653.26	167.97	-99.1	161.68	-3.7	188.36	16.5
Operating cash flow	3,680.54	5,694.14	2,288.84	2,967.94	29,215.26	33,337.26	14.1	27,335.46	-18.0	34,311.72	25.5
Net interest received / (paid)	(2,727.84)	(2,062.63)	(1,867.62)	(2,843.57)	(4,097.75)	(5,063.18)	23.6	(5,037.50)	-0.5	(4,882.50)	-3.1
Dividends paid	(719.82)	(1,256.80)	(1,826.35)	(2,847.72)	(3,435.11)	(3,456.23)	0.6	(3,456.23)	0.0	(4,032.27)	16.7
Tax paid	(1,261.44)	(1,454.62)	(3,027.33)	(4,029.38)	(5,957.15)	(6,898.33)	15.8	(8,083.89)	17.2	(9,418.04)	16.5
Capital expenditure	(73.20)	(469.83)	(4,012.63)	(10,727.65)	(37,322.23)	(15,000.00)	-59.8	(18,000.00)	20.0	(19,000.00)	5.6
Net (acquisitions) / disposals	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Other	(245.73)	(609.04)	(913.98)	(5,850.13)	1,623.18	(13,952.91)	-	(.00)	-100.0	0.00	-
Share issues	(482.93)	(672.30)	(1,271.41)	3,517.03	(191.65)	0.00	-	0.00	-	0.00	-
Cash flow (inc)/dec in net debt	(729.70)	1,121.55	(7,215.72)	(13,020.15)	(16,997.50)	(6,750.30)	-60.3	(2,626.18)	-61.1	1,963.20	-
FX / non cash items	0.00	116.68	(.00)	0.00	0.00	(.00)	-	0.00	-	0.00	16.7
Balance sheet (inc)/dec in net debt	(729.70)	1,238.23	(7,215.72)	(13,020.15)	(16,997.50)	(6,750.30)	-60.3	(2,626.18)	-61.1	1,963.20	-
Core EBITDA	6,434.17	7,914.36	10,686.55	15,609.86	25,657.06	30,647.89	19.5	35,580.26	16.1	40,977.64	15.2
Maintenance capital expenditure	(2,128.49)	(2,093.68)	(2,390.99)	(2,833.07)	(3,798.64)	(5,760.91)	51.7	(6,886.27)	19.5	(8,125.77)	18.0
Maintenance net working capital	1.00	1.00	1.00	1.00	1.00	1.00	0.0	1.00	0.0	1.00	0.0
Operating free cash flow, pre-tax	4,306.68	5,821.68	8,296.56	12,777.79	21,859.42	24,887.98	13.9	28,694.99	15.3	32,852.87	14.5

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy

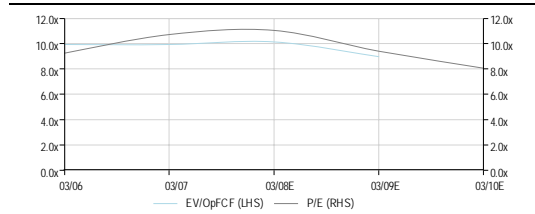
12m price target

Rs950.00

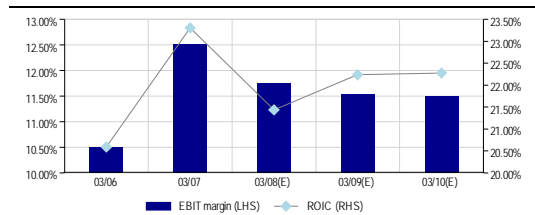
Company profile

M&M is a manufacturer of utility vehicles, light commercial vehicles, three-wheelers and agricultural tractors. The company is the market leader in UVs and tractors, which contribute about 60% of its revenue. M&M has important subsidiaries in telecom software, financial services and real estate development. Subsidiaries and associates contribute 15-20% of M&M's consolidated topline. M&M's current focus is to grow its market share in different product segments in the domestic market by offering new products and services that suit customers' needs, and to expand geographically by penetrating new export markets.

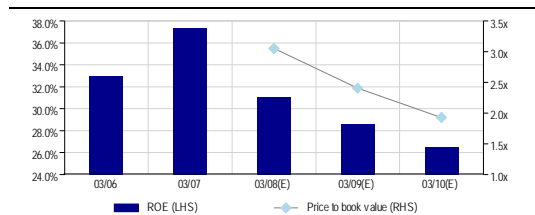
Value (EV/OpFCF & P/E)



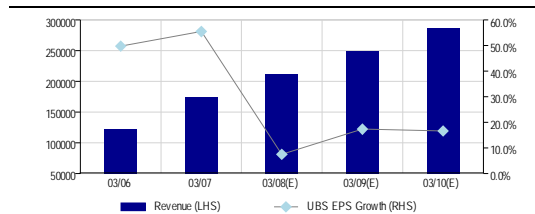
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
P/E (local GAAP)	9.6	7.3	11.5	11.0	9.4	8.1
P/E (UBS)	9.0	9.3	10.7	11.0	9.4	8.1
P/CEPS	5.1	7.2	8.7	8.3	7.0	6.0
Net dividend yield (%)	7.2	2.6	1.6	1.5	1.5	1.8
P/BV	1.5	2.5	3.5	3.1	2.4	1.9
EV/revenue (core)	0.8	1.0	1.2	1.2	1.0	-
EV/EBITDA (core)	7.0	8.1	8.5	8.2	7.2	-
EV/EBIT (core)	9.4	9.9	9.9	10.1	9.0	-
EV/OpFCF (core)	9.4	9.9	9.9	10.1	9.0	-
EV/op. invested capital	1.5	2.0	2.3	2.2	2.0	-

Enterprise value (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Average market cap	92,625.22	167,785.7	191,365.7	191,365.7	191,365.7
+ minority interests	0.00	0.00	0.00	0.00	-
+ average net debt (cash)	34,331.51	49,340.34	61,214.23	65,902.47	66,233.96
+ pension obligations and other	0.00	0.00	0.00	0.00	-
- non-core asset value	0.00	0.00	0.00	0.00	(24,133.00)
Core enterprise value	126,956.7	217,126.1	252,580.0	257,268.2	-

Growth (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue	27.2	31.1	43.7	21.2	17.5	14.9
EBITDA (UBS)	33.3	46.1	64.4	19.5	16.1	15.2
EBIT (UBS)	46.2	54.0	71.1	13.9	15.3	14.5
EPS (UBS)	72.8	49.7	55.5	7.5	17.3	16.6
Cash EPS	40.7	41.3	50.1	16.0	17.9	16.9
Net DPS	21.2	-22.6	13.4	1.2	0.0	16.7
BVPS	20.4	55.1	27.6	28.3	26.9	24.7

Margins (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBITDA / revenue	11.7	12.8	14.7	14.5	14.3	14.3
EBIT / revenue	8.4	10.5	12.5	11.7	11.5	11.5
Net profit (UBS) / revenue	5.2	8.3	9.2	8.1	8.1	8.2

Return on capital (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT ROIC (UBS)	16.1	20.6	23.3	21.4	22.2	22.3
ROIC post tax	-	12.2	15.5	14.0	14.6	14.8
Net ROE	19.3	33.0	37.3	31.0	28.6	26.5

Coverage ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT / net interest	4.1	6.4	6.7	6.0	6.9	8.1
Dividend cover (UBS EPS)	2.0	4.1	5.7	6.0	7.0	7.0
Div. payout ratio (% , UBS EPS)	66.2	24.2	17.7	16.6	14.2	14.2
Net debt / EBITDA	2.9	2.6	2.3	2.1	1.9	1.6

Efficiency ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue / op. invested capital	1.8	2.0	1.9	1.8	1.9	1.9
Revenue / fixed assets	3.8	5.2	4.7	4.0	4.0	3.9
Revenue / net working capital	3.1	2.9	2.9	3.2	3.6	3.7

Investment ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
OpFCF / EBIT	1.0	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	6.3	8.8	21.4	7.1	7.2	6.6
Capex / depreciation	2.1	3.8	9.8	2.6	2.6	2.3

Capital structure (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Net debt / total equity	NM	NM	NM	NM	85.0	66.2
Net debt / (net debt + equity)	53.1	52.3	54.4	50.9	46.0	39.8
Net debt (core) / EV	36.6	27.0	22.7	24.2	25.6	-

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs796.35 on 29 Oct 2007 23:40 EDT Market cap(E) may include forecast share issues/buybacks.

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■ Mahindra & Mahindra

M&M is a manufacturer of utility vehicles, light commercial vehicles, three-wheelers and agricultural tractors. The company is the market leader in UVs and tractors, which contribute about 60% of its revenue. M&M has important subsidiaries in telecom software, financial services and real estate development. Subsidiaries and associates contribute 15-20% of M&M's consolidated top line. M&M's current focus is to grow its market share in different product segments in the domestic market by offering new products and services that suit customers' needs, and to expand geographically by penetrating new export markets.

■ Statement of Risk

Principal risk to M&M's earnings estimates arises from fluctuation in sales volumes and raw material prices. Decline in tractor sales volumes and inventory pile-up in the dealer pipeline could enhance the risk in near term.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	55%	40%
Neutral	Hold/Neutral	36%	35%
Sell	Sell	9%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	0%	29%
Sell	Sell	0%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2007.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Company Disclosures

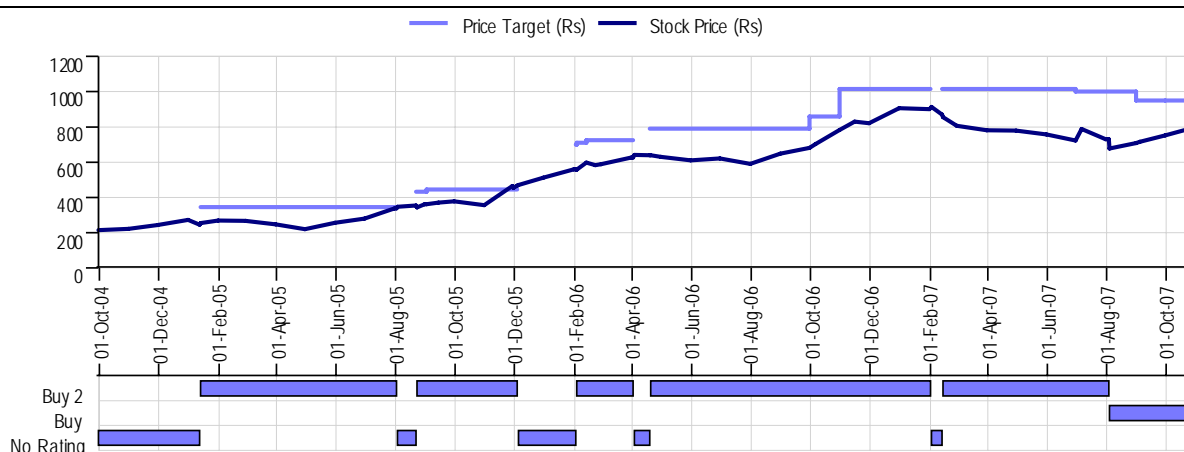
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Mahindra & Mahindra	MAHM.BO	Buy	N/A	Rs796.35	29 Oct 2007

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Mahindra & Mahindra (Rs)



Source: UBS; as of 29 Oct 2007

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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