

Mahindra & Mahindra Limited

CMP : Rs 870.25

May 29, 2018

A strong Q4 as both auto and farm equipment sectors shine

Mahindra and Mahindra (M&M) posted a better than expected performance for the fourth quarter ended March 2018 with profit rising over 50%. The company posted a profit of Rs 1,154.88 crore against Rs 770.28 crore it posted during the same quarter last year. Revenues were higher by 26% at Rs 13,188.76 crore against Rs 10,498.82 crore year on year.

Performance was supported by both automotive and tractor business. Total auto sales (passenger and commercial vehicles) during the quarter improved 20% to 1.56 lakh units while tractor sales increased 44% yoy to 66,885 units.

Mahindra Vehicle Manufacturers Limited (MVML), located at Chakan near Pune, was set up as a 100% subsidiary of the company with a view to sourcing contemporary products for expanding the market offerings of the company. Hence, it is a critical part of its business and only the combined results of the company and MVML will provide a comprehensive view of company's performance.

Quarter Performance:

Operating Margin for the combined entity in the quarter ended March 2018 was 15.1% as compared to 11.2% in last Q4. Operating profit was 70% higher at Rs 1995crore. Decrease in cost on all fronts helped margins improve. Raw material cost (as a % to sales, net of stock) fell by 216 bps at 66.15%. Employee expenses fell 61bps to 5.97%. Other expenses (all as a % to sales, net of stock) fell 120 bps to 12.7%.

Other income was 44% lower at Rs 165.9 crore. Interest cost decreased by 30% to Rs 49.86 crore. The depreciation cost fell 6% at Rs 439.03crore.

Thereafter, PBT before EO rose 80% to Rs 1672 crore. EO income fell 49% to Rs 47.86 crore. PBT after EO rose 68% at Rs 1719.86crore. PAT settled 50% higher at Rs 1154.88crore after 122% rise in tax provision at Rs 564.98 crore (800 bps rise in tax rate).

The PBIT margin of auto segment was at 10.7% (vis a vis 7.2%) thereby leading to 78% rise in PBIT at Rs 971.33 crore. Farm equipment segment's PBIT margin was higher at 19% (vis a vis 18%) leading to 55% rise in PBIT at Rs 723.39crore. Revenues from auto and FES sector grew 20% and 42% respectively.

For Q4 F2018, the domestic auto industry (excluding 2W) grew 19%, with the passenger vehicles reporting a growth of 7% and the UV segment a growth of 25%. The domestic tractor industry witnessed a very high growth of 44%. In Q4 F2018, the domestic Automotive volume for the company grew 20% while the domestic tractor volumes grew 44%.

FY18 Performance:

For the financial year ended FY18 the company registered 15% growth in sales to Rs 347577.36 crore.

For the financial year ended March, 2018, Auto Sector sales stood at 5,49,154 vehicles compared to 5,07,598 vehicles during FY2017, registering a growth of 8%. Tractor sales stood at 317383 units in FY18, compared to 2,62,992 vehicles during FY2017, registering a growth of 20.7%.

Operating Margin for the combined entity in FY18 was 14.8% as compared to 13.1% in last FY17. Operating profit was 30% higher at Rs 7043.4 crore. Decrease in raw material and employee cost helped margins improves. Raw material cost (as a % to sales, net of stock) fell by 124 bps at 66.47%. Employee expenses fell 56bps to 6.67%. Other expenses (all as a % to sales, net of stock) rose 5 bps to 12.04%.

Other income was 21% lower at Rs 951.71 crore. Interest cost decreased by 22% to Rs 188.2crore. The depreciation cost fell 3% at Rs 1625.37crore. Thereafter PBT before EO registered 32% increase to Rs 6181 crore. The company had an EO income of Rs 433.61crore in FY18, vis a vis Rs 548.47 in previous year, lower by

INDEX DETAILS

SENSEX	34949.24
NIFTY (S&P CNX)	10633.30

SCRIP DETAILS

Industry	Cars & Utility Vehicles
Mkt Cap (Rs in Crore)	108008.57
Book Value (Rs)	225.14
Free Float (%)	79.55
Avg Vol Weekly (NSE)	2508462
52 Week H/L (NSE)	887.95 / 612.50
Dividend Yield (%)	0.83
BSE Code	500520
NSE Code	M&M

SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	20.45	20.47
FIIIs	31.65	31.92
DIIIs	19.99	19.26
Others	27.91	28.35
Totals	100	100

Price Comparison with Sensex



21%. Thereafter, PBT after EO for FY 18 rose 26% at Rs 6615.17crore. PAT settled 18% higher at Rs 4623 crore after 51% rise in tax provision at Rs 1991.95crore (500 bps rise in tax rate).

The PBIT margin of auto segment in FY 18 was at 9% (vis a vis 8%) thereby leading to 33% rise in PBIT at Rs 2871.64crore. Farm equipment segment's PBIT margin was steady at 20% leading to 23% rise in PBIT at Rs 3145crore. Revenues from auto and FES sector grew 12% and 22% respectively.

For the year F2018, improvement in overall economic sentiment, two consecutive years of normal monsoon, Government's focus on development of Agri and Rural sectors, with continued investment in Infrastructure, coupled with easy availability of affordable finance, helped drive the demand for the automotive as well as the tractor industry.

For the full year F2018, the company continued to be the 3rd largest passenger vehicle company, the 2nd largest commercial vehicle company and the largest small commercial vehicle (LCV < 3.5T) company in India. Domestic sales crossed the 5,00,000 mark after a gap of five years. The company achieved its highest ever sales for Scorpio and Pik-Ups this year and Bolero volumes crossed 1 million since launch. Also, in F2018, the company recorded its highest ever tractor volumes for both domestic and export, and retained the leadership position for the 35th consecutive year.

Outlook:

Economic activity is expected to gather pace as the transitory effects of implementation of the goods and services tax (GST) recede. This outlook will also be lifted by tailwinds from normal rainfall with the weather bureau forecasting a 'normal' monsoon for the third successive year in its first stage long range forecast. While the spatial and temporal distribution remain to be seen, well spread out rainfall is likely to have a salutary impact on the overall demand conditions. However, rising crude oil prices, which have already risen noticeably, call for greater prudence.

Global growth backdrop too remains benign with the synchronised cyclical rebound. However, escalation in geo-political risks, trade frictions, tightening monetary conditions, and higher crude oil prices could pose downside risks to global trade and demand growth outlook.

M&M and MVML: Combined Results

Particulars	Q4FY18	Q4FY17	Var.(%)	FY18	FY17	Var.(%)
Total Operating Income	13188.76	10498.82	26	47577.36	41377.66	15
OPM(%)	15.1	11.2		14.8	13.1	
OP	1995	1171.1	70	7043.4	5404	30
Other Income	165.9	296.4	-44	951.71	1206.42	-21
PBIDT	2160.9	1467.5	47	7995.1	6610.4	21
Interest	49.86	70.8	-30	188.2	242.55	-22
PBDT	2111.03	1396.67	51	7806.93	6367.82	23
Depreciation	439.03	465.42	-6	1625.37	1674.49	-3
PBT before forex gain/loss	1672	931.25	80	6181.56	4693.33	32
Forex gain/loss			#DIV/0!			#DIV/0!
PBT Before EO	1672	931.25	80	6181.56	4693.33	32
EO	47.86	93.68	-49	433.61	548.47	-21
PBT after EO	1719.86	1024.93	68	6615.17	5241.8	26
Tax provision [^]	564.98	254.65	122	1991.95	1318.13	51
PAT	1154.88	770.28	50	4623.22	3923.67	18
Other comprehensive income						
Net Profit						
EPS*	36.1	22.5		34.8	28.3	

M&M and MVML: Combined Segment Results

Particulars	Q4FY18	Q4FY17	Var.(%)	FY18	FY17	Var.(%)
Segment Revenue						
Automotive Segment	9104.85	7612.79	20	30514.9	27180.51	12
Farm Equipment Sector	3716.07	2620.81	42	15804.1	13007.24	22
Others	554.26	403.55	37	1864.26	1708.51	9
Total Segment Revenue	13375.18	10637.15	26	48183.2	41896.26	15
Less : Inter-Segment Revenue	186.42	138.33	35	605.8	518.4	17
Net Sales	13188.76	10498.82	26	47577.36	41377.86	15
Segment Results (after EO)						
Automotive Segment	971.33	546.09	78	2871.64	2161.66	33
Farm Equipment Sector	723.39	466.9	55	3145.37	2561.68	23
Others	23.71	-126.54	-119	20.48	-378.5	-105
Total Segment Results	1718.43	886.45	94	6037.49	4344.84	39
add/Less:			#DIV/0!			
Interest Expense (Net)	49.86	70.8	-30	188.2	242.55	-22
Other Unallocable Income Net Off						
Unallocable (Expenditure)	-51.41	-209.29	-75	-765.98	-1139.71	-33
Unallocable (Expenditure)	-51.41	-209.29	-75	-765.98	-1139.71	-33
Total PAT	1719.98	1024.94	68	6615.27	5242	26
Capital Employed (Segment Assets Less Segment Liabilities)						
Automotive Segment	8104.27	8676.94	-7	8104.27	8676.94	-7
Farm Equipment Sector	2936.11	2977.61	-1	2936.11	2977.61	-1
Others	535.22	364.4	47	535.22	364.4	47
Total CE	11575.6	12018.95	-4	11575.6	12018.95	-4

NOTES :-

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