

Mahindra & Mahindra Financial Results- 2Q, FY-2020

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Q2 M&M + MVML Revenue at Rs. 10,935 crores down by 15%

Q2 M&M + MVML PAT before (EI) at Rs.1,355 crores down by 18%

Mumbai, 8th November 2019: The Board of Directors of Mahindra & Mahindra Limited today announced the financial results for the quarter ended 30th September 2019 of the Company and the consolidated Mahindra Group.

Q2 F2020 – M&M + MVML* Results

| | | | Rs. crores |
|----------------------------------|-------------|-------------|-----------------|
| | Q2 F2020 | Q2 F2019 | Growth % YoY |
| Revenues | 10,935 | 12,790 | -15% |
| Profit Before Tax (before EI) | 1,758 | 2,161 | -19% |
| Profit Before Tax (after EI) | 1,758 | 2,298 | -24% |

| | | | |
|---------------------------------------|----------|----------|------|
| Profit After Tax (before EI) | 1,355 | 1,642 | -18% |
| Profit After Tax (after EI) | 1,355 | 1,779 | -24% |
| Operating margin (OPM) | 14.1% | 14.5% | |
| Vehicles sold (Nos) | 1,10,824 | 1,41,163 | -21% |
| Tractors sold (Nos) | 68,359 | 73,012 | -6% |
| Exports (vehicles and tractors) (Nos) | 10,540 | 13,377 | -21% |

The Indian economy continues to cope with suppressed consumer sentiment and a continuing liquidity crunch which coupled with the high consumer finance rates due to non-transmission of repo rate reduction is impacting demand. The Indian auto industry, in particular, is undergoing a challenging period with all industry segments declining for two consecutive quarters for the first time in the last 15 years. The auto industry excluding two wheelers, fell 26.6% on the back of a 28.7% reduction in Passenger Vehicle (PV) segment and 56.4% reduction in the Medium and Heavy Commercial Vehicles (MHCV) segment. The domestic tractor industry also witnessed a fall of 9.8%.

Despite such a challenging environment leading to a volume drop in both its segments, the Company with strong emphasis on cost management, ensured that the EBITDA drop was in line with the revenue decline. The Company also successfully increased its Market Share in Tractors as well

as Passenger Vehicles. This has enabled the Company to achieve its highest OPM margin in the last four quarters. Q3 has started on a positive note with good deliveries (retails) both in the automotive as well as tractor segments.

H1 F2020 – M&M + MVML Results

| | Rs. crores | | |
|----------------------------------|---------------------|---------------------|-------------------------|
| | H1 F2020 | H1 F2019 | Growth % YoY |
| Revenues | 23,741 | 26,148 | -9% |
| Profit Before Tax (before EI) | 3,130 | 3,991 | -22% |
| Profit Before Tax (after EI) | 4,497 | 4,153 | 8% |
| Profit After Tax (before EI) | 2,273 | 2,880 | -21% |
| Profit After Tax (after EI) | 3,615 | 3,036 | 19% |
| Operating margin (OPM) | 14.0% | 15.1% | |

Q2 & H1 F2020 – M&M Standalone Results

| | Rs. crores | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Q2 F2020 | Q2 F2019 | H1 F2020 | H1 F2019 |

| | | | | |
|--------------------------------|--------|--------|--------|--------|
| Revenues | 11,076 | 12,989 | 23,999 | 26,508 |
| Profit After Tax (after EI) | 1,213 | 1,649 | 3,526 | 2,870 |

Q2 & H1 F2020 – Group Consolidated Results

| | Rs. crores | | | | | |
|---|-------------|-------------|-----------------|-------------|-------------|-----------------|
| | Q2 F2020 | Q2 F2019 | Growth % YoY | H1 F2020 | H1 F2019 | Growth % YoY |
| Revenues and Other Income | 24,149 | 26,125 | -8% | 50,439 | 52,386 | -4% |
| Profit after tax after Non- Controlling Interest (before EI) | 326 | 1,623 | -80% | 1,114 | 2,986 | -63% |
| Profit after tax after Non- Controlling Interest (after EI) | 348 | 1,605 | -78% | 1,262 | 3,312 | -62% |

A full summation of Revenues and Other Income of all the group companies taken together for the half year ended 30th September 2019 is **Rs. 70,070 crores (USD 9.9 billion)**.

Outlook:

The IMF has cut its projections for 2019 global growth, yet again, to 3% - the weakest since 2009, although a recovery is expected in 2020. On the domestic front, GDP growth slowed further to 5% in Q1 FY2020 and high frequency indicators suggest demand conditions continue to remain weak in Q2. The RBI pared down its growth projections again, but quite sharply this time to 6.1% from 6.9% earlier.

Monsoons caught up in the latter part of the season and all-India cumulative rainfall surpassed the LPA by 10%, but the distribution was uneven with floods in several states. Production of major kharif crops declined by 0.8% as per the First Advanced Estimates. Abundant rainfall in August and September has led to improved soil moisture conditions in most parts of the country and reservoir levels are higher than the 10-year average. In addition, the timely announcement of MSP for Rabi crops is likely to support sowing. All of these bode well for the Rabi crop.

The government has also announced several sector specific measures over the last two months to support economic activity. Importantly, it slashed corporate tax rates as promised. The RBI has cut rates by a cumulative 135bp in 2019 and has guided that it would continue with an accommodative stance "as long as it is necessary" to revive growth. Further, government spending has also gathered steam. The announced sectoral measures, a pickup in fiscal spending and the lagged effect of interest rate cuts should help support revive consumption demand and growth going forward. However, any sharp pruning of government expenditure to meet fiscal targets at the fag end of the year or a sharp deterioration in the global environment remain the big risk factors.

Note: Translation of rupee to dollar is a convenience translation at the average exchange rate for the twelve month period ended 30th September 2019.

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