

IR Flash

Investor Relations, August 07, 2015

Date & Time	August 07, 2015; 6.30 p.m.
Event	Earnings Call – Q1 FY16
Participants from M&M	Dr. Pawan Goenka, Executive Director & Group President – Auto and Farm Sectors Mr. V.S. Parthasarathy, Group CFO & Group CIO & President (Group Finance, M&A) Mr. K. Chandrasekar, EVP – Corporate Finance & Investor Relations and Senior Management

In a quarter (Q1FY16) where the slowdown in rural economy has been impacting the tractor & FMCG companies, the company has demonstrated 'Resilience' by continued focus on Profitability & Margin of Safety.

Key Highlights of the call– Q1 FY2016

Financial Performance:

- During the quarter, the total income was Rs.9437cr, lower by 3.88% on yoy basis, though the volumes de-grew much higher during this period.
- Even at lower volumes, the company managed to keep the profit nearly unchanged yoy (after adjusting for one-time benefits in Q1FY15).
- There is a restatement of 'Net Sales' and 'Other Expenses' to align with IFRS standards and make them comparable with current quarter results.

Business Performance:

Auto:

- During the quarter, XUV500, Scorpio and Pick-ups performed well; Bolero faced pressure due to slow-down in rural economy; While Scorpio has grown 6% yoy, XUV500 has grown 4% yoy. The market share of pick-up has also been robust at 73%;
- 'Jeeto' has got a good response from customers; 'Jeeto' is expected to stabilize at 2500 units per month. It would help the company to improve its market share in LCV (< 2T) segment.
- Auto business exports grew by 27%, aided by 71% growth in SNBB (SL/Nepal/ Bangladesh/ Bhutan) markets
- The truck business has also seen good improvement; LCV and MHCV segment have grown by 11% and 31% respectively. For the first time, MHCV segment has achieved a break-even at variable cost level.
- SsangYong: Tivoli has been one of the best launches in the Korean industry; it is clocking an average of around 5000 units per month (including exports).
- Auto inventory in Q1FY16 has been a little higher compared to Q4FY15 level by a week. This has been already brought down by 2 days in the month of July and is expected to be corrected further in Q2FY16.
- Mahindra Reva has seen some traction in volume after the subsidy announcement by Government.
- All product launches are on as per plan.

Farm Equipment Division:

- The tractor industry continued to struggle due to rural slow-down; the monsoon conditions so far have been much better than last year. The crop sowing has been affected only in few areas like Marathwada, Vidarbha, North Karnataka, South Andhra Pradesh and Telangana.
- If the rainfall in August and September continue to be good, the growth should return to tractor industry. Even if the industry de-growth is at 15% during Q2FY16, if we manage to sell as much as in H2FY14 (H2FY15 had abnormally low

volume), the industry should see an overall growth of 5% during the year. The pent-up demand for tractors should make this target realistic.

- The inventory in the system is at a very comfortable level.
- Exports grew by 24% during the quarter. Mahindra USA (MUSA) did exceedingly well with the growth of 54% during the same period.
- There was no price increase during the current quarter.
- During Q1FY16, both Powerol and Agri business have shown robust growth;
- Arjun Novo has performed well. It has helped the company to increase its market share in 50HP plus segment.

Overall, the company views the future with hope:

- The macro economic conditions have been favorable.
- The performance of monsoon has been good so far; the impact is likely to be seen in the remaining part of the year. The company views festive season with optimism.
- This quarter has been the best quarter in the last nine quarters (in terms of margin)
- The company has robust product pipeline, on schedule.
- The costs are under control; the commodity prices have also been benign;
- The company is well prepared with enough capacity for quick ramp-up. The future investments would be focused on product developments and automotive part of the business.

FINANCIALS AT A GLANCE

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<i>(In Rupees crores)</i>	Q1FY16	Q1FY15	Change
Total income from operations (Net)	9,437.14	9,818.11	-3.88%
EBITDA	1,352.96	1,419.23	-4.67%
EBITDA %	14.34%	14.46%	-0.12%
PAT	831.07	896.4	-7.29%

The audio of the earnings call will be available on our website shortly; the transcript will be uploaded soon

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