IR Flash

Investor Relations, November 06, 2015

Date & Time	November 06, 2015; 5.00 p.m.
Event	Earnings Call – Q2FY16
Participants from M&M	Dr. Pawan Goenka, Executive Director & Group President – Auto and Farm Sector Mr. V.S. Parthasarathy, Group CFO & Group CIO & President (Group Finance, M&A) Mr. K. Chandrasekar, EVP – Corporate Finance & Investor Relations **and** Senior Management & IR team

The company continued to maintain its resilience by improving operating margins (YOY) in Q2FY16 despite considerable slowdown in tractor volume due to second consecutive deficient monsoon and decline in UV market.

As against a volume de-growth of 26% in FES and 2.2% at Auto (as compared to Q2FY15):

- **Net Revenue** is **down by 2.8%** (Rs 8,794 Crs in Q2FY16 Vs Rs 9,045 Crs in Q2FY15)
- **EBIDTA** is **higher by 5.6%** (Rs 1163 Crs in Q2FY16 Vs Rs 1100 Q2 last year) and;
- **PAT** is **higher** by **0.4%** at **Rs 978 Crs Vs Rs 974 Crs** of Q2FY15

Key Highlights of the call– Q2FY16

Business Performance

Auto:

- Auto segment Revenue was up at Rs 5989 Crs, an increase of 5% on YOY basis (though the total volume was lower by 2.2%), aided by selling price increase and favorable product mix.
- The UV industry registered de-growth of 4.3% in the Q2FY16. Whilst XUV500 grew by 9% and Scorpio maintained its volumes, almost all the existing UVs de-grew during this period. This has helped M&M to maintain the market share during this period.
- TUV 300, which was launched in September 2015, has got a good response so far with bookings of around 12800 vehicles, and billing of around 8800 vehicles within 50 days of launch. The sales of TUV300 is slightly biased towards urban markets and has not resulted in significant cannibalization of Bolero; Bolero has regained its position of largest selling UV in October.
- Jeeto, which was launched in June2015, has also got a good response and has helped M&M to increase the market share in sub-2 ton from 12.6% to 30.2% in the industry which slowed down by 23.8% during this period. In the pick-up (2-3.5 ton) segment, we maintained our market leadership with 68% market share.
- In the LCV part of MTBD business, the company grew by 46% while the industry grew by 14% during Q2FY16.
- In the trucks and bus business, the company grew by 54%, while the industry grew by 50% during this period. The discounts are continuing at the same level as last quarter.
- SYMC continued to perform well in the domestic market with Tivoli and other products. In the first 9 months, the company sold 103,874 vehicles, lower by 3% than the same period last year. However, this is expected to accelerate and the company is expected to close the year with slightly higher volume than the previous year. The financial performance was affected by higher depreciation related to Tivoli launch and currency related hedging charges.
- The company has already launched 6 products during the year – Jeeto, XUV500 refresh, TUV 300, Supro Maxitruck, Supro Van and Thar Refresh. S101 is expected to be launched by January 2016;

<u>*Farm Equipment:*</u>

- The second consecutive year of poor monsoon has impacted the tractor volume during the quarter (lower by 26%); despite this, thanks to favorable product mix and better performance from Powerol, the segment revenue was lower only by 15.4% (Rs.2844 Crs) on YOY basis. The segment EBIDTA for the segment was lower by 11.1% at Rs.465 Crs for the quarter.
- Due to the poor monsoon and lower than expected volume in September and October, the company expects the industry to end the year with 5% lower on YOY basis.
- Though the company had marginally lost market share by about 1% during H1FY16, some part of this market share was recovered in October and is expected to be completely recovered by the end of the year.
- The Powerol business clocked a revenue of around Rs.500 Crs during H1FY16. The revenue contributed by all Agri businesses of the group was around Rs.350 Crs during the same period, aided by new businesses (pulses, mustard oil) as well as existing businesses. Applitrac contributed around Rs.100 Crs in H1FY16.
- MUSA continued to do well, increasing its market share to 9.8% in less than 120HP tractor segment. However, China is still a concern.
- The acquisition of Mitsubishi Agri Machinery was completed during the year. Mahindra currently holds 33% stake in Mitsubishi Agri Machinery Company.

<u>*Material cost & Inventory*</u>*:*

- Due to benign commodity price environment, the company could save about 1.5% on material costs during the period.
- The inventory at the end of the quarter was slightly higher due to festive seasons. It has been partly corrected in October and would be back to normal levels by the end of Q3.

<u>FINANCIALS AT A GLANCE</u>

M&M + MVML

(In Rupees crores)	2nd Quarter			Previous Quarter (Q1)	
	FY16	**FY15**	***Change***	**FY16**	***Change***
Total income from operations (Net)	8,793.69	9,044.63	*-2.77%*	9,437.14	*-6.82%*
EBITDA	1,162.59	1,100.44	*5.65%*	1,352.96	*-14.07%*
EBITDA %	13.22%	12.17%	*1.05%*	14.34%	*-1.12%*
PAT	978.09	974.05	*0.41%*	831.07	*17.69%*

The Capex (Rs 7500 Crs) and investments (Rs 2500 Crs) for FY15-FY17 continue to remain as announced earlier.

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