

Mahindra & Mahindra Limited

IR Flash – Q1FY18 – Earnings Call

Date & Time	August 4, 2017; 6.10 p.m.
Event	Earnings Call – Q1FY18
Participants from M&M	<ul style="list-style-type: none"> ➤ Dr. Pawan Goenka - Managing Director; ➤ Mr. V.S. Parthasarathy - Group CFO, Group CIO ➤ Senior Management of the company including the IR team
Audio Recording	Available on: http://www.mahindra.com/investors/reports-and-presentations under M&M Reports/2017-2018/Earnings Update

In an eventful quarter which started with ban on sale of BS3 vehicles beyond March 31, 2017 and ended with GST implementation, the company managed a stellar performance.

Impact of GST:

- Due to ambiguity during transition phase, fresh buying was on hold
- Discounts and incentives were higher during this period.
- The one-time provision for some tax credit losses (e.g. local taxes, infra cess and CST on pre GST inventory) in Q1FY18 is Rs.144cr at EBIT level and Rs.94cr at PAT level. However, the company and industry has made representations to GST council to correct this anomaly.

Key Financial Highlights (excluding GST impact):

- Net Revenues of Rs 11,238 Crs, higher by 6.8% Vs Q1 F17 (Rs 10,525 Crs) and this is highest ever Revenue of M&M+MVML
- EBIDTA at Rs 1,598 Crs is 6.7% higher than Q1 FY17 (Rs 1,497 Crs)
- OPM margin is maintained at 14.2%
- Tax rate in Q1FY18 was higher due to:
 - Reduction in R&D weighted deduction from earlier 200% to 150%
 - Withdrawal of Investment allowance u/s 32AC
 - Going forward, we expect the similar trend in tax rate.

FES Highlights:

- Q1FY18 domestic market share (MS) 45.8% (Highest Ever) with a gain of ~2% YoY
- MS growth driven by new tractor launches in the past two years
- Export volumes were significantly higher at 14% over previous year
- Highest ever revenue and profit reported by FES in any quarter (excluding GST impact)
- Tractor Industry growth forecast at 10-12% with upward bias
- No price increase in Q1FY18. Also there is no revision in Tractor prices post GST implementation

Auto Highlights:

- Domestic volumes higher by 1.2%
- Highest Q1 MS in LCV<3.5t segment at 52.2%
- HCV MS grew to 4.8% on the back of good response to Blazo series
- Exports were lower by 56%, mainly due to adverse market condition in neighboring markets
- The launch schedule of new products U321 (FY18) & S201 (FY19) is on track.
- There was a price increase of 1.1% during Q1FY18. Post GST implementation, the prices of UV have gone down by 1%-7% with the exception of Scorpio hybrid, which has seen a marginal increase. The company is working on a non-hybrid version of the Scorpio to be launched soon.

Inventory levels, at the end of July 2017 are back to comfortable levels which were lower at the end of Q1FY18 due to GST planning.

Financials at a glance (M&M + MVML)	Without GST impact (Figures in Crs)		
	Q1FY18	Q1FY17	Change
Net Income from Operations	11,238	10,525	6.8%
EBITDA	1,598	1,497	6.7%
OPM	14.2%	14.2%	
PAT before EI	862	870	-0.9%
PAT (%)	7.7%	8.3%	

- Access our first Integrated report on our website:
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