

Mahindra & Mahindra Limited

IR Flash – Q3F19 – Earnings Call

Date & Time	February 8, 2019; 5:00 pm IST
Event	Earnings Call – Q3FY19
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
Results Pack	Available on: http://www.mahindra.com/investors/reports-and-presentations under M&M Reports/2018-2019/Earnings Update

Key Financial Highlights:

- Net Revenue of Rs.12,892 Crs, higher by 12.2% Vs Q3F18 (Rs 11,492 Crs); highest ever Q3 revenue at M&M+MVML
- OPM margin at 13.2%, lower by 150 basis points vs previous year of 14.7%; the impact is mainly on account of commodity cost pressure, higher discounts and new launch expenses
- For YTD Dec-18, the commodity cost increased by ~4-4.5%, out of which 60-70% have been passed on. Going forward, the commodity prices are likely to stabilize
- PBIT of Rs 1,540 Crs, higher by 10.9% Vs Q3F18 (Rs 1,388 Crs)
- PBT (before EI) at Rs 1,505 crs, higher by 11.9% Vs Q3F18 (Rs 1,345 crs)
- PAT (before EI) at Rs 1,476 crs, higher by 60.4% Vs Q3F18 (Rs 920 crs); highest ever Q3 PAT at M&M+MVML
- There was a one-time benefit of about Rs 400 crs in the tax provision.

FES Highlights:

- Revenue at Rs 4,634 Crs is higher by 13.1% Vs Q3F18 (Rs 4,098 Crs); highest ever Q3 revenue.
- Segment Result at Rs 888 Crs is higher by 5.9% Vs Q3F18 (Rs 839 Crs); highest ever Q3 PBIT
- During the quarter, the focus was on stabilizing inventory and maintaining profitability
- The inventory is at a comfortable level of 4-5 weeks
- Trakstar is seeing good traction and is in the right direction to achieve 2-3% market share over 2-3 years
- Farm Machinery Revenue (excluding Tractors) is growing rapidly and is expected to reach ~Rs.450 crs in FY19
- The industry growth is expected to be flat for Q4FY19 and 10% for the full year (FY19).

Auto Highlights:

- Revenue at Rs 7,915 Cr is higher by 11.3% Vs Q3F18 (Rs 7,113 Crs); highest ever Q3 revenue.
- Segment Result at Rs 461 Cr is lower by 22.9% Vs Q3F18 (Rs 598 Crs)
- Export of vehicles in Auto Segment grew 37% to 9,652 vehicles in Q3F19.
- The auto EBIT margins were impacted by higher commodity cost (~120bps), higher discounts (~40bps) and higher depreciation (~70bps)
- During the quarter, the focus was on stabilizing inventory and achieving volume growth. As a result, the company was able to gain UV market share for the first time in 10 quarters
- The expected cumulative volume from the 3 new launches (Marazzo, Alturas G4 & XUV300) is ~9,000 per month.
- Marazzo has performed exceptionally well. As per the current demand, the waiting period is of 3-4 weeks

- The initial response towards XUV300 has been tremendous with 3000+ advance bookings and over 60,000 enquiries
- The inventory is at a comfortable level of 4-5 weeks
- Expected growth rates for FY19:
 - PV – 4-6%
 - LCV <2T – 40-42%
 - LCV 2-3.5T – 12%

BSVI transition:

- Company is fully geared for BSVI launch and is confident of launching almost all products within the given time frame and does not foresee any disadvantage compared to other OEMS.

Electric Vehicles:

- Treo is India’s first e3W with a Lithium ion battery and has the potential to be a game changer for the e3W industry. With the current benefits/subsidies from the Government, it is more profitable than the conventional CNG 3W for the customer
- E-Alfa (e3W), based on lead acid battery is performing well, with a monthly run-rate of 800-1000 units.

Financials at a glance (Figures in Rs Crs)			
(M&M + MVML)	Q3F19	Q3F18	Change
Net Sales & Operating Income	12,892	11,492	12.2%
EBITDA	1,703	1,691	0.7%
OPM	13.2%	14.7%	-150bps
PBIT	1,540	1,388	10.9%
PBT (before EI)	1,505	1,345	11.9%
PAT (before EI)	1,476	920	60.4%

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