# Mahindra & Mahindra Limited

# IR Flash – Q1FY19 – Earnings Call

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| Date & Time | August 7, 2018; 6:30 pm IST |
| Event | Earnings Call – Q1F19 |
| Participants from M&M | ➢ Dr. Pawan Goenka - Managing Director;<br>➢ Mr. V.S. Parthasarathy - Group CFO, Group CIO<br>➢ 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/2018-2019/Earnings Update |

**Key Financial Highlights:**

- Net Revenues of Rs 13,358 Crs, higher by 22.8% Vs Q1F18 (Rs 10,878 Crs*); highest ever Net Revenue at M&M+MVML. * *Figure adjusted for GST impact of FES*
- EBIDTA at Rs 2,110 Crs, 47.1% higher than Q1F18 (Rs 1,434 Crs); highest ever EBITDA at M&M+MVML
- OPM margin at 15.8%, higher by 260 basis points Vs previous year of 13.2%
- PBIT of Rs 1,874 Crs, higher by 58.7% Vs Q1F18 (Rs 1,180 Crs).
- Tax Rate has come down marginally to 32.4% from 33.4% in the PY
- PAT (after EI) at Rs 1,257 crs, higher by 67.2% Vs Q1F18 (Rs 752 crs).

**FES Highlights:**

- Revenue at Rs 5,007 Crs is higher by 24.2% Vs Q1F18 (Rs 4,032 Crs); first time ever that the FES has crossed Rs 5,000 Cr mark,
- Segment Result at Rs 1,045 Crs is higher by 40.9% Vs Q1F18 (Rs 742 Crs); first time ever that the FES has crossed Rs 1,000 Cr mark
- The demand for Farm Equipment has been robust at the ground level driven by normal monsoon, good rabi crop output and about 15% growth in MSP for Kharif crops. In fact, the overall rural demand scenario is quite robust.
- Tractor Industry is expected to end the year FY19 with 12-14% growth. Q2FY19 is expected to be flat, as festive season has shifted to Q3 this year; For Q2FY19 and Q3FY19 combined, we expect the domestic tractor industry growth to be around 12%.
- The inventory is at comfortable level; better than the industry
- During the quarter, the company took a price increase of 1.2% to 1.3%.
- The company would be launching Novo 65 and Intelligent Tractor during FY19; both these launches would be in niche segment.
- The number of tractors sold under Trakstar brand is 1,162 for the first four months of FY19.
- The Farm Implements business grew by 41% during Q1FY19, clocking a turnover of around Rs.100cr;
- The change in accounting for retail incentive impacted the topline by Rs.16cr in Q1FY19

**Auto Highlights:**

- Revenue at Rs 8,033 Cr is higher by 22.6% Vs Q1FY18 (Rs 6,552 Crs)
- Segment Result at Rs 758 Cr is higher by 69.5% Vs Q1FY18 (Rs 447 Crs)
- Export of vehicles in Auto Segment doubled to 9,360 vehicles in Q1FY19.

- Management reiterated that there will be 3 new launces in FY19. Two new products would be launched before festive season, one of them being Marazzo (U321). One more product would be launched after the festive season.
- Out of the new launches, one product would have Gasoline option at the time of product launch itself. For one other product, the gasoline option would be made available sometime after the launch of the product. All the existing volume products will have gasoline engine by 2020.
- The plush new XUV500 has received a good response in the market place, with the monthly volume of around 2700-2800;
- TUV300 plus was launched in May 2018. It is performing as per our expectations.
- MHCV segment:
    - The regulatory changes related to change in axle load norm is still evolving and the likely impact on the industry is still not clear. While the demand in short term is impacted, the company expects the demand to normalise from September onwards.
    - OEMs have to redesign Breaks, Axle, Steering, Chassis and Tyres to develop vehicles with higher load capacity. This would require considerable lead time, with at least one year for developing Tyres for the new load category.
    - Also, given that the OEMs are focused on adhering to BSVI deadline, incorporating these changes will be challenging.
    - The launch of ICVs – Furio range – is on schedule and will not be impacted by this regulatory change.
- The inventory level is comfortable and in-line with the industry
- The company had taken a price increase of 1.5% during the quarter.
- In order to align with Ind AS accounting standards, the secondary freight charges amounting to Rs.90 Crs, have been netted off from both revenue and expenses in Q1FY19.

| Financials at a glance (Figures in Rs Crs) | | | |
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| (M&M + MVML) | Q1FY19 | Q1FY18 | Change |
| Net Income from Operations | 13,358 | 10,878* | 22.8% |
| EBITDA | 2,110 | 1,434 | 47.1% |
| OPM | 15.8% | 13.2% | +260bps |
| PBT (before EI) | 1,830 | 1,130 | 62.0% |
| PAT (before EI) | 1,238 | 752 | 64.7% |
| PAT (after EI) | 1,257 | 752 | 67.2% |

**Figure adjusted for GST impact of FES*

- We launched the third edition of Digital Annual Review, our e-Annual Report initiative featuring management videos, customizable reports, interactive charts and all financial information in downloadable format. Click on the link below to access the website: www.mahindra.com/annualreviewFY18/
- Mahindra Investor Relations App is available on Google Play Store and Apple Store. Kindly search for 'Mahindra Investor Relations'
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