

## Mahindra & Mahindra Limited

### IR Flash – Q2F20 – Earnings Call

Date & Time	November 8, 2019; 5:30 pm IST
Event	Earnings Call – Q2FY20
Participants from M&M	<ul style="list-style-type: none"> <li>➤ Dr. Pawan Goenka - Managing Director;</li> <li>➤ Mr. V.S. Parthasarathy - Group CFO, Group CIO</li> <li>➤ Senior Management of the company including the IR team</li> </ul>
Results Pack/ Conference Call Audio	Available on: <a href="https://www.mahindra.com/investors/reports-and-filings">https://www.mahindra.com/investors/reports-and-filings</a> under Investor Relations/2019-2020/Earnings Update
<p>Certain statements in this document with regard to our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.</p>	

- The company achieved the highest OPM (14.1%) in the last 4 quarters, despite drop in volumes.
- The festive season witnessed good deliveries in retail both in the automotive as well as tractor segments
- M&M is in the process of evaluating the adoption of new corporate tax regime. MVML has already adopted the new tax regime

#### **FES Highlights:**

- Revenue at INR 3,631 crs is lower by 9.8% Vs Q2FY19 (INR 4,028 crs)
- Segment Result at INR 702 crs is lower by 13.7% Vs Q2FY19 (INR 813 crs)
- M&M's tractor market share increased from 39.8% in Q2FY19 to 41.3% in Q2FY20
- OPM for FES is 21.3%, which is 50 bps lower compared to Q2F19
- During the quarter, FES reduced dealer inventory significantly. The inventory would further rationalised by about 1000-1500 units in Q3FY20.
- Gross margin was positively impacted by commodity price decline and increase in selling price
- Tractor industry could witness a degrowth of 7-8% in FY20.

#### **Auto Highlights:**

- Revenue at INR 6,893 cr is lower by 18.4% Vs Q2FY19 (INR 8,446 crs)
- Segment Result at INR 397 cr is lower by 40.1% Vs Q2FY19 (INR 664 crs)
- Gross margin was positively impacted by drop in commodity prices (drop of 1% in prices), increase in selling prices (increase of 0.7%) and favourable product mix.
- Auto segment has maintained its OPM at 12.7% (yoy) and 30bps qoq improvement. This has been achieved through robust cost focus & material cost management.
- M&M's market share in PV rose from 7.0% in H1FY19 to 7.8% in H1FY20. M&M's market share in SCV segment has again crossed 50% in October 2019.
- While the general discount in the industry during the festive season was much higher, M&M had increased its discounts only by INR1500 per vehicle on a yoy basis.

- By the end of October, auto inventory has reached the lowest (in the last five years) level, which is about 5000 to 6000 units lower than the desired level.
- In H2, UV industry is likely to deliver positive growth; UV industry growth is expected to exceed that of passenger cars industry
- New launches – There would be 3 new product launches starting FY21
- e-KUV, electric XUV 300 and an EV for last mile connectivity would be launched in the next couple of years.

**Subsidiaries:**

- Ssangyong- Though Ssangyong started with positive growth in Q1CY19, its performance turned adverse in the next two quarters, thanks to slowdown in domestic market as well as some of its key export markets. Going forward, the focus would be on material cost reduction and exploring new markets for exports. These initiatives would start bearing fruits from CY20.
- MAGNA (Mahindra USA)- MAGNA is expected to achieve breakeven in FY21 in terms of profitability
- Jawa- Production has been ramped up to 5000 units per month

Financials at a glance (Figures in INR crs)			
(M&M + MVML)	Q2F20	Q2F19	Change
Net Sales & Operating Income	10,935	12,790	-14.5%
EBITDA	1,541	1,849	-16.7%
OPM	14.1%	14.5%	-40bps
PBT (before EI)	1,758	2,161	-18.6%
PAT (before EI)	1,355	1,642	-17.5%
PAT (after EI)	1,355	1,779	-23.8%

- You can listen to our leaders speak about Mahindra & Mahindra’s FY19 performance

Mr. Anand Mahindra - <https://www.youtube.com/watch?v=Lc5xysYEGos&feature=youtu.be>

Dr. Pawan Goenka - <https://www.youtube.com/watch?v=srR-gZmZrWw&feature=youtu.be>

Mr. VS Parthasarathy - <https://www.youtube.com/watch?v=UQVfx-32i7s&feature=youtu.be>

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