

Mahindra & Mahindra Limited

IR Flash – Q1F20 – Earnings Call

Date & Time	August 7, 2019; 6:45 pm IST
Event	Earnings Call – Q1FY20
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/Conference Call Audio	Available on: https://www.mahindra.com/investors/reports-and-filings 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>	

Key Highlights:

- Net Revenue of Rs.12,805 Crs, lower by 4.1% Vs Q1F19 (Rs 13,358 Crs)
- Current slowdown in industry could be attributed to tightening of financial norms, increased transaction cost and subdued consumer sentiment
- OPM margin at 14.0%, lower by 180 basis points vs previous year of 15.8%
- Commodity prices were benign in this quarter and expect a similar trend going forward.
- PAT (before EI) at Rs 918 crs, lower by 25.8% Vs Q1F19 (Rs 1,238 crs)
- PAT (after EI) at Rs 2,260 crs, higher by 79.7% Vs Q1F19 (Rs 1,257 crs)
- There was a one-time benefit of about Rs 1367 crs. on account of gain on sale of shares by M&M benefit trust; and gain on buy-back by an associate / transfer of certain long-term investments.
- Tax rate is steady at around 30%
- M&M took marginal price increase in both auto and FES segments

FES Highlights:

- Revenue at Rs 4,382 Crs is lower by 12.5% Vs Q1F19 (Rs 5,007 Crs)
- Segment Result at Rs 845 Crs is lower by 19.2% Vs Q1F19 (Rs 1,045 Crs)
- Dealer inventory is under control. Company is only at around 2-3k tractors higher than the desired level of inventory.
- Industry expected to grow at 6-8% for the rest of the year, which would lead to a flat growth for FY20. Good monsoons, uptick in sowing and low base effect in the 2nd half of the year could provide further upside.

Auto Highlights:

- Revenue at Rs 7,986 Cr is lower by only 0.6% Vs Q1F19 (Rs 8,033 Crs)
- Segment Result at Rs 518 Cr is lower by 31.6% Vs Q1F19 (Rs 758 Crs)
- In the current environment of slowdown, M&M was the best performing PV player and the 2nd best performing CV player in terms of volume growth in the quarter. In 3W segment, M&M decline was lower than that of the industry.
- Dealer inventory is under control. Company is only at around 2-3k vehicles higher than the desired level of inventory.

- The management has refrained from providing any industry guidance. Upsides on account of decent monsoons, favourable commodity prices and pre-buying in the later part of the year would provide some comfort. Rate cut transmission by banks, stimulus in the form of GST rate cut and supportive govt. policies would further help the industry

Electric Vehicles:

- Company has around 5000 EVs on ground with combined e-KM of 135 m.
- With the latest policies announced by the govt., EVs particularly 3W & shared 4W have become affordable. Industry would see more launches in electric vehicles segment.

Subsidiaries:

- Ssangyong- Focus would be on domestic market share growth, targeting specific export markets and optimization of costs
- MAgNA (Mahindra USA)- PAT in FY19 was hit due to one-time losses arising from cleaning up of dealer inventory. Expect FY20 to see significant reduction in the quantum of loss, Breakeven in FY21 and FY22 to turn positive
- Peugeot Motorcycles- Expected to be EBITDA positive in a year's time

Financials at a glance (Figures in Rs Crs)			
(M&M + MVML)	Q1F20	Q1F19	Change
Net Sales & Operating Income	12,805	13,358	-4.1%
EBITDA	1,794	2,110	-15.0%
OPM	14.0%	15.8%	-180bps
PBT (before EI)	1,371	1,830	-25.1%
PAT (before EI)	918	1,238	-25.8%
PAT (after EI)	2,260	1,257	79.7%

- You can listen to our leaders speak about Mahindra & Mahindra's F19 performance

Mr. Anand Mahindra - <https://www.youtube.com/watch?v=Lc5xxsYEGos&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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