

## M&M

Mahindra & Mahindra with market cap of Rs482bn., is market leader in tractor and utility vehicle space as well as growing presence in passenger car segment. Apart from core auto business, it has subsidiaries/associates in various businesses like IT, NBFC, Auto ancillaries, hospitality, infrastructures

Company given its 3QFY13 results in line with street expectation. The standalone Net Sales of the company came at Rs 10643 Cr up 28% YoY. The healthy growth in sales led by strong volume growth in company passenger utility vehicle. The total volume of passenger UV for the 3QFY13 came at 70483 which is up 36% YoY for the same period last fiscal. All the products within this portfolio has done well. In the car portfolio company has sold 3814 vertigo cars.

The standalone EBITDA for the company stands at Rs 1211 Cr and OPM during the quarter came at 15.08 % up by almost 200bps. The RM cost to sales for the quarter decreased to 50 % from 55 % on YoY basis indicating company's tight control over the cost.

The standalone net profit for 3QFY13 IS Rs 836 Cr which is up by 26 % YoY in comparison to net profits for the same period last fiscal. The jump in profits is mainly due to strong volume sales especially on utility vehicle segment front.

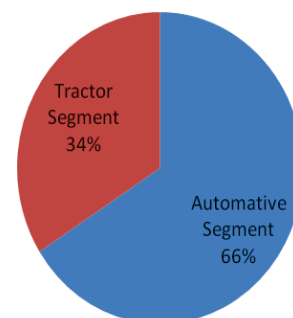
Company is facing some woes on tractor sales volumes. The total number of Tractor including export and domestic during the 3QFY13 stands at 64800 which is lower than 2% YoY. The domestic Tractor business remains flat for the 3QFY13 with growth of mere 1 % YoY. The more troublesome is export business which saw huge decline of almost 73 % YoY and solely responsible for dragging the tractor business down.

The management in post results commentary said that International business is down due to subdued sales in Bhutan, Sri Lanka and Bangladesh. As per management Farm business did not go well due to poor Rabi rain. Company did not do well in Maharashtra, Tamil Nadu, Andhra Pradesh and Gujarat as sales in these states fell 20%. More importantly company does not see the situation improving in the remaining two months of the FY 2013. Company also said that New tractor plant is almost ready and is expected to commence production by the end of FY 2013 moreover UV segment is doing very well.

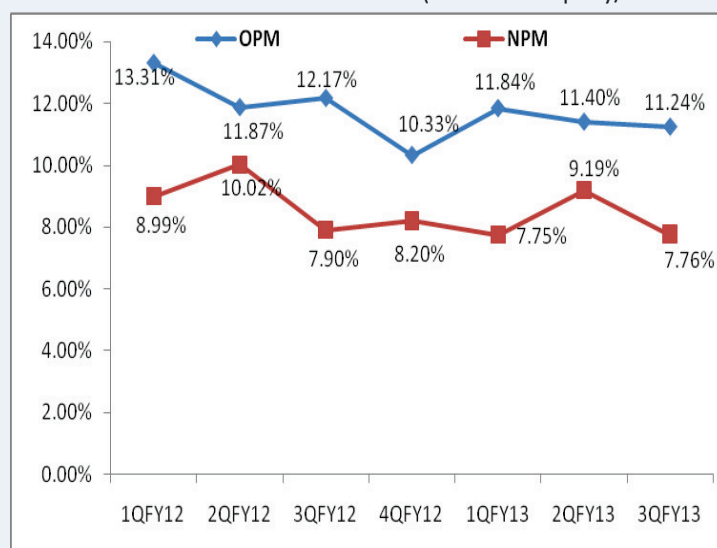
On the 9 Feb 2013 company has announced that it will acquire 26 per cent shareholding in its defence joint venture with BAE Systems. This decision will enable both companies to consider each opportunity on a case by case basis, including continuing to explore opportunities for co-operating on specific defence projects.

At the current market price of Rs 883 the stock is trading at 10x EV/EBITDA of one year forward FY14E. In light of management commentary of UV cycle having peaked out for them (M&M a big beneficiary), and with stock quoting at rich valuations, we recommend profit booking in the counter at these levels. Further downside risks may emanate from continued sluggish performance from tractor segment and any hike in Tax of diesel engines in forthcoming budget

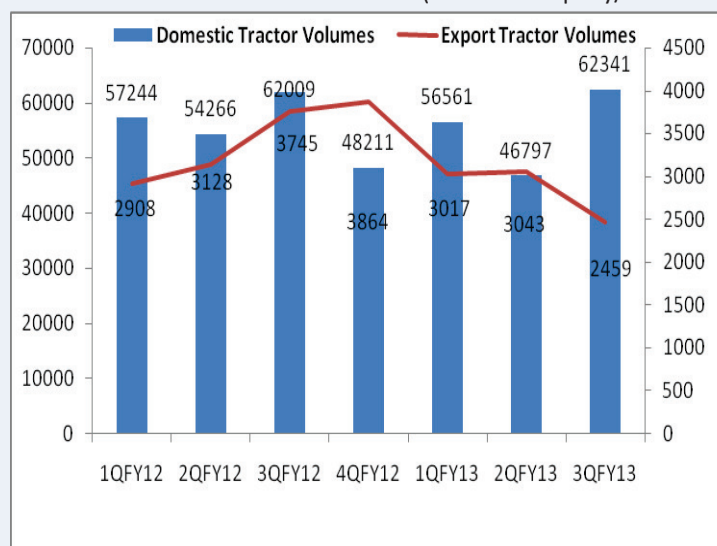
**Volume Sales FY12**



(Source: Company/Eastwind)



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