

Mahindra & Mahindra

BSE SENSEX	S&P CNX
35,142	10,576
Bloomberg	MM IN
Equity Shares (m)	1,209
M.Cap.(INRb)/(USDb)	957.8 / 13.2
52-Week Range (INR)	992 / 683
1, 6, 12 Rel. Per (%)	-1/-9/1
12M Avg Val (INR M)	2349
Free float (%)	79.6


Financials & Valuations (INRb)

Y/E Mar	2018	2019E	2020E
Sales	486.9	553.3	629.5
EBITDA	62.2	72.0	86.8
NP (incl. MVML)	43.2	52.6	59.6
Adj. EPS (INR) *	36.3	44.2	50.1
EPS Gr. (%)	22.7	21.8	13.2
Cons. EPS (INR)	41.0	47.0	54.3
BV/Sh. (INR)	255	286	324
RoE (%)	14.2	15.1	15.2
RoCE (%)	13.0	14.0	14.5
Cons. P/E (x)	18.8	16.4	14.2

* incl. MVML

Estimate change 

TP change 

Rating change 

CMP: INR770

TP: INR1,016 (+32%)

Buy

Marazzo launch cost and RM inflation take a toll on margins

- Volumes** grew by 3.7% YoY, with UV volumes increasing 5% YoY and Tractors volumes declining 4% YoY. Realizations grew 2.6% YoY (-0.9% QoQ) to ~INR559.5k (our estimate: INR563.7k). Net sales (incl. MVML) increased 6.4% YoY to INR127.9b (in-line). EBITDA declined 4% YoY to INR18.5b (our estimate: INR19.7b), with the margin contracting 150bp YoY (-130bp QoQ) to 14.5% (our estimate: 15.3%). Auto PBIT margin shrank 160bp QoQ (-270bp YoY) to 7.9%. Tractor EBIT margin contracted 110bp QoQ (-70bp YoY) to 20.2%. Adj. PAT increased 19% YoY (+35% QoQ) to INR16.7b (our estimate: INR13.9b).
- Takeaways from the earnings call:** (a) Tractors industry to grow 12-14% in FY19 (biased toward lower end v/s upper end earlier, with YTD Oct-18 growth at ~12.5%). (b) Expects PV industry growth of 7-8% in FY19 (v/s 10% earlier) – witnessed growth during festive season (Navratri and Diwali combined). (c) PV demand: Rural grew at 9-10% (~51% of sales) v/s flat urban growth. (d) New launch: Alturas G4 (Nov-24), S201 (petrol & diesel) and Furio ICV (4Q), Jawa2W and EV 3WTreo (Nov-15). (e) Reached full production capacity for Marazzo (~130-150 units/day), with ~13.5k bookings currently and a waiting period of 6-8 weeks. (f) New product launch impact of ~50-70bp and RM inflation impact of ~250bp in 2QFY19.
- Valuation and view:** While we maintain the FY20 EPS estimate, our FY19 consol. EPS estimate is lowered by 4.9% to factor in lower volumes in Auto/farm business and higher other expense. The stock trades at 16.4x FY20E and 14.2x core EPS. Maintain **Buy** with an SOTP-based TP of INR1,016 (Sep-20).

Quarterly Perf. (incl MVML)

Y/E March	FY18				FY19E				FY18	FY19E	Var. (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	2QE			
Total Volumes (nos)	202,130	220,478	210,234	236,376	240,885	228,590	243,942	264,813	869,118	980,811	228,590	0.0
Growth YoY (%)	3.1	17.4	6.5	25.4	19.2	3.7	16.0	12.0	12.9	12.9	3.7	
Net Realization	538,146	545,083	546,603	557,957	554,524	559,524	555,459	558,806	547,421	555,619	563,736	-0.7
Growth YoY (%)	0.3	1.7	3.6	0.2	3.0	2.6	1.6	0.2	1.8	1.5	3.4	
Net Op. Income	108,775	120,179	114,915	131,888	133,577	127,902	135,500	147,979	475,774	544,957	128,864	-0.7
Growth YoY (%)	3.4	19.4	10.3	25.6	22.8	6.4	17.9	12.2	15.0	14.5	7.2	
RM Cost (% of sales)	67.8	65.9	66.2	66.2	67.4	67.6	67.2	67.6	66.5	67.5	67.6	0bp
Staff (% of sales)	7.3	6.6	7.0	6.0	6.3	6.5	6.4	5.8	6.7	6.2	6.4	10bp
Oth. Exp. (% of Sales)	11.7	11.6	12.1	12.6	10.4	11.2	11.1	11.2	12.0	11.1	10.5	70bp
EBITDA	14,341	19,220	16,926	19,950	21,101	18,493	20,753	22,347	70,434	82,695	19,664	-6.0
EBITDA Margins (%)	13.2	16.0	14.7	15.1	15.8	14.5	15.3	15.1	14.8	15.2	15.3	-80bp
Other income	1,283	5,548	1,011	1,659	1,930	8,478	1,163	1,322	9,517	12,891	5,563	
EO Income/(Exp)	0	0	3,858	479	245	1,375	0	0	4,336	1,620	0	
PBT	11,296	20,335	17,307	17,199	18,550	22,981	16,276	17,765	66,152	75,572	19,856	15.7
Effective Tax Rate (%)	33.4	30.7	24.6	32.9	32.2	22.6	31.0	31.3	30.1	28.8	30.0	-740bp
Reported PAT	7,518	14,094	13,057	11,549	12,572	17,788	11,230	12,200	46,232	53,791	13,899	-9.5
Change (%)	-21.8	21.8	16.9	49.9	67.2	26.2	-14.0	5.6	17.8	16.3	-1.5	
Adj PAT	7,518	14,094	10,147	11,227	12,406	16,723	11,230	12,200	43,202	52,637	13,899	20.3
Change (%)	-16.0	21.8	22.0	60.4	65.0	18.7	10.7	8.7	23.0	21.8	-1.5	

E: MOSL Estimates

Jinesh Gandhi - Research analyst (Jinesh@MotilalOswal.com); +91 22 6129 1524

Research analyst: Deep Shah (Deep.S@MotilalOswal.com); +91226129 1533 Suneeta Kamath (Suneeta.Kamath@MotilalOswal.com); +91226129 1534

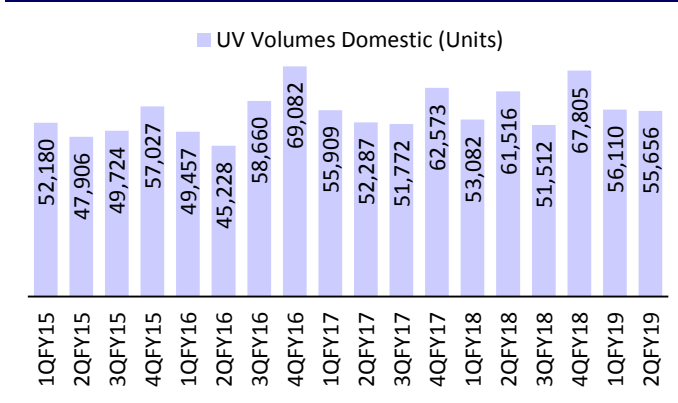
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Volume and realization growth drive revenue

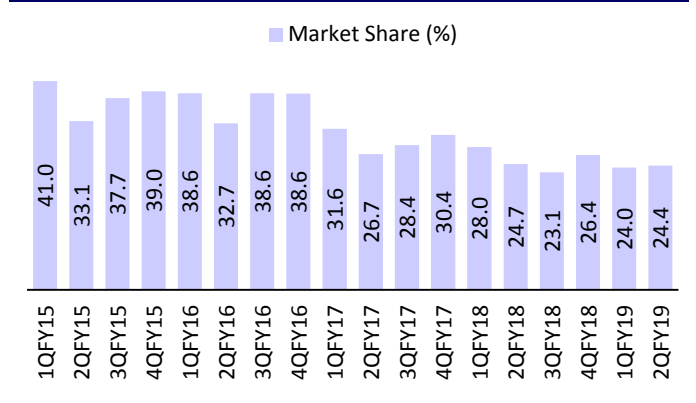
- MM’s 2QFY19 volumes grew 3.7% YoY to 223.6k, as Tractor volumes declined 4% YoY to 78k units, while UV volume increased 4.9% YoY to 127.8k units.
- Realizations grew 2.6% YoY (+0.9% QoQ) to INR559.5k (est. of INR563.7k). Auto realizations fell 2% QoQ (+0.3%) YoY, whereas Tractor realizations increased 3.9% QoQ (+6.1% YoY). Company has taken price increase to partially offset (~50%) RM inflation impact of ~250bp.

Exhibit 1: Trend in passenger UV volumes



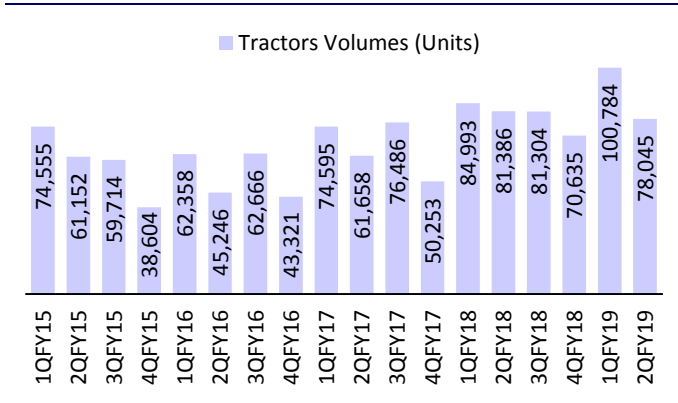
Source: Company, MOSL

Exhibit 2: Trend in passenger UV market share (%)



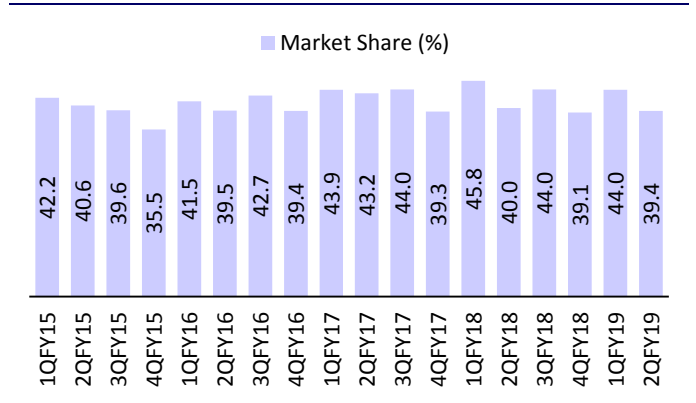
Source: Company, MOSL

Exhibit 3: Trend in tractor volumes



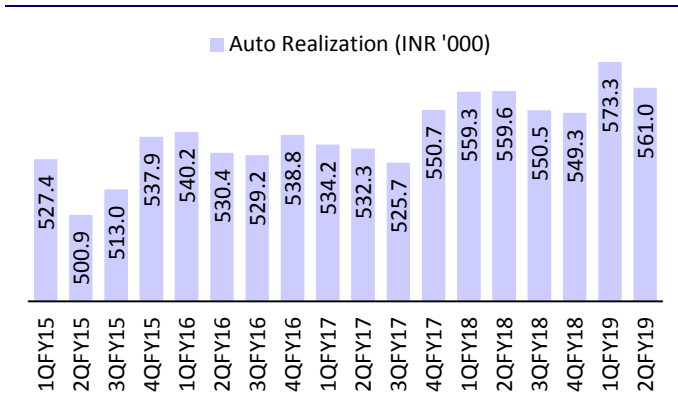
Source: Company, MOSL

Exhibit 4: Trend in tractor market share (%)



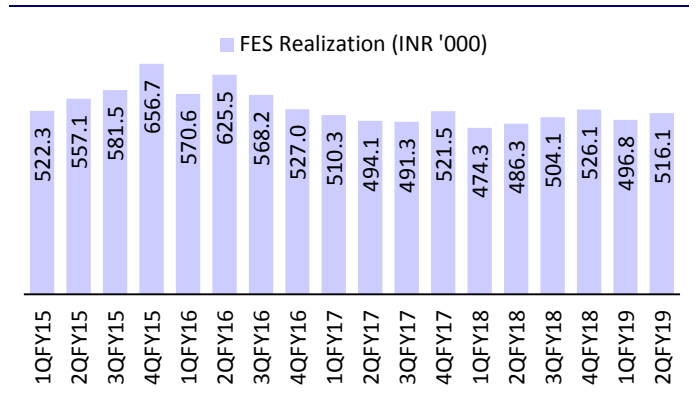
Source: Company, MOSL

Exhibit 5: Trend in Auto realizations



Source: Company, MOSL

Exhibit 6: Trend in FES realizations

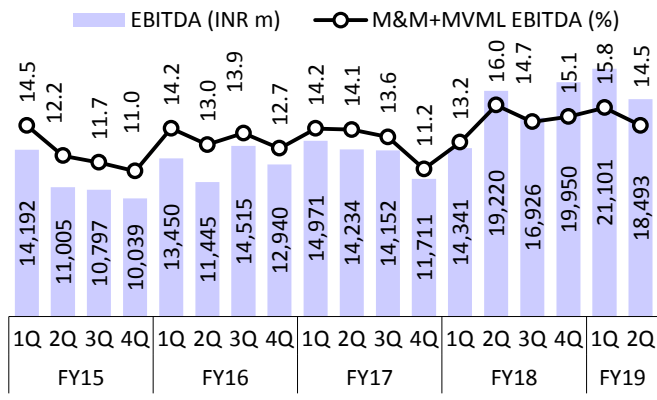


Source: Company, MOSL

EBITDA margins of 14.5% below our est. of 15.3%, impacted by higher launch expense and RM inflation

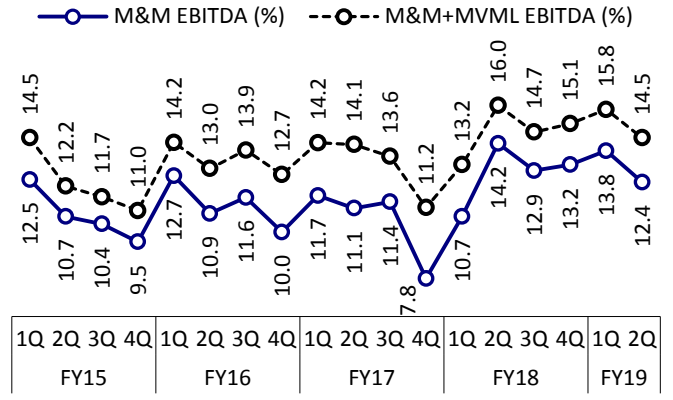
- EBITDA margins contracted 150bp YoY (-130bp QoQ) to 14.5% (est. of 15.3%). EBITDA declined 4% YoY (12.4% QoQ) to INR18.5b (est. of INR19.7b).
- RM cost was higher by ~20bp QoQ (+170bp YoY) to 67.6% (in-line). However, higher other expenses due to the Marazzo launch (~50-70bp) impacted margins in 2QFY19.
- Auto PBIT margins shrank 160bp QoQ (-270bp YoY) to 7.9%. Tractor EBIT margins contracted 110bp QoQ (-70bp YoY) to 20.2%.
- MM reported exceptional gain of INR1.4b related to profit on sale and reversal of impairment loss of certain long-term investments.
- Higher other income at INR8.5b (est. of INR6b) and lower tax rate of 22.6% (est. of 30% due to deferred tax benefit of INR1.2b) resulted in adj. PAT growth of 18.7% YoY (+34.8% QoQ) to INR16.7b (est. of INR13.9b).

Exhibit 7: Trend in EBITDA margin



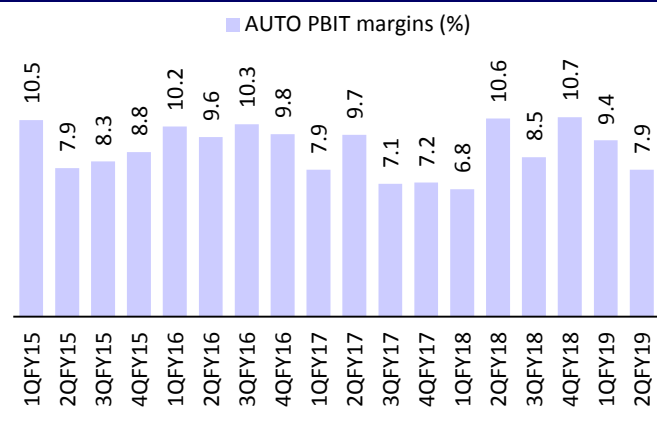
Source: Company, MOSL

Exhibit 8: Trend in S/A and M&M (incl. MVML) margins



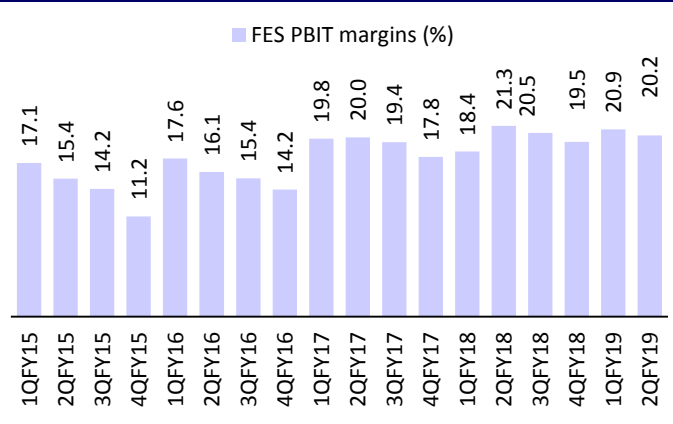
Source: Company, MOSL

Exhibit 9: Trend in Auto PBIT margins



Source: Company, MOSL

Exhibit 10: Trend in FES PBIT margins



Source: Company, MOSL



Key highlights from management meet

- For Tractors, company maintained **industry growth guidance of 12-14% in FY19** (biased toward lower end v/s upper end earlier with YTD Oct-18 growth at ~12.5%). **It expects ~20% tractor industry growth in 3QFY19.**
- **Rural demand remains robust**, driven by good sowing and output of Kharif crop and MSP increases.
- **Inventory level** in FES (post festive) is at comfortable level, while that in Auto it is higher by 4-5 days v/s average post festive level.
- **Have taken price increase** and have managed to pass on partial RM inflation (~50%). The balance has been offset by internal cost-control measures.
- **Healthy response to The Marazzo:** Reached full production capacity for Marazzo (~130-150 units/day) with ~13.5k bookings currently and waiting period of 6-8 week.
- **Have cut PV industry growth to 7-8% in FY19 (v/s 10% earlier)** with equal growth expected from passenger car and UVs. During festive, PV industry grew ~6% led by rural markets (growth of 9-10%) while growth in urban market remained flat.
- For the first time, contribution of rural markets in sales mix improved to 51% of sales (v/s 49% earlier).
- **New product launch:** Alturas G4 (24th Nov), S201 and Furio ICV (4Q), Jawa 2W and 3W EV Treo (15th Nov). Expect to phase out small volume products with BS6. E-KUV and e-S201 are the new products planned for EV launch.
- **See customer down trading from 37t (to 31t) and 44t (to 40t) vehicles** post new axle load norms in CVs. M&HCV segment is expected to be EBITDA positive for FY19.
- **No impact visible on vehicle finance by larger banks/ NBFCs.**
- **EV sales grew 30% YoY.** The growth in 3W sales is partially led by healthy response to e-Alfa EV. MM sells ~800-1,000 units of e-Alfa per month.
- **Exports – healthy response to Scorpio pick-up (W109) and KUV 100.** Have set-up CKD plant in South Africa which is currently running at optimum capacity. Expect to launch the Marazzo (post fully met up with domestic demand) and S201 in exports markets.
- **Ssangyong performance – Volume/revenues/PAT remain flat YoY in 9MCY18.** In 3Q, domestic volume declined 2% v/s overall decline of 4%. Expect Sangyong to turn profitable in 4Q.

Valuation and view

- **Strong growth in tractor volumes on the back of a normal monsoon:** With third consecutive year of normal monsoons and higher MSPs, and resumption of infrastructure investments (10-20% of tractor demand) would boost demand over long term. We estimate tractor volume growth of 10.2% CAGR over FY18-20E. Further, we expect continued ramp-up in non-tractor mechanization (implements, harvesters etc), which should result in stronger revenue growth over FY18-FY20E.
- **UVs – Pick-ups sharp recovery to continue; Passenger UVs to benefit from rural recovery and new launches:** Pick-up UVs (~46% of FY18 volumes) are back on growth path. With ~45% market share in LCVs <3.5ton, M&M's pick-up volumes are estimated to grow ~14% CAGR over FY18-20E driven by continued

demand momentum. Passenger UVs volumes declined 6% CAGR over FY13-18, impacted by emergence of compact SUVs (M&M was absent in this segment) and rural weakness (~50% of volumes). Further, its launches in Compact SUV segment failed. With expected recovery in rural market, 2 new product launches in balance of FY19, we expect passenger UV segment to see recovery of ~12% CAGR. Successful upcoming launch would drive volumes higher.

- **Compact SUVs key driver of UV industry, but competition to remain high:** UV segment is expected to outgrow PV industry over next 3-5 years. However, growth in UVs is expected to be driven by increasing acceptance of compact SUVs by car buyers, while traditional UVs (M&M's forte) could show cyclical recovery in volumes. MM is responding to changing industry dynamics, it is this time challenged by market leaders like Maruti and Hyundai in compact SUV segment, where MM is a weak player. We estimate profitability of MM's UV business to be under pressure in medium term, as it will have shorten product refresh cycle and adopt very aggressive pricing.
- **Valuation & view:** While we maintain FY20 EPS we downgrade FY19 consol. EPS estimates by 4.9% to factor in for lower volumes for auto business and higher other expense. The stock trades at 16.4x FY20E and 14.2x Core EPS. Maintain Buy with an SOTP-based TP of INR1,016 (Sep-20).

Exhibit 11: Revised estimates

	FY19E			FY20E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	981	993	-1.2	1,094	1,097	-0.3
Net Sales	553	562	-1.5	630	633	-0.6
EBITDA (% incl MVML)	15.2	15.6	-40bp	15.8	15.9	-10bp
Net Profit	49	48	2.1	56	55	2.5
EPS (INR)	41	40	2.1	47	46	2.5
EPS (INR, incl MVML)	44.2	43.1	2.6	50.1	49.6	1.0
Cons EPS (INR)	47.0	49.4	-4.9	54.3	55.4	-1.9

Source: MOSL

Exhibit 12: M&M: Sum-of-the-parts (INR/share)

	FY20E	FY21E
Core EPS (excl. subsidiary dividend)	44.1	48.6
PE attributable (x)	16	16
Value of core business	705	777
Value of subsidiaries @ Hold Co discount	20	20
2. M&M Financial Services	91	91
3. Mahindra Lifespaces	7	7
4. Mahindra Holidays	9	9
5. Ssangyong	15	15
6. Mahindra CIE	11	11
7. CIE Automotive Spain	12	12
8. Mahindra Logistics	12	12
Target price (after 20% discount)	980	1,053
Upside (%)	27.2	36.6

Source: Company, MOSL

Exhibit 13: M&M: PE trend

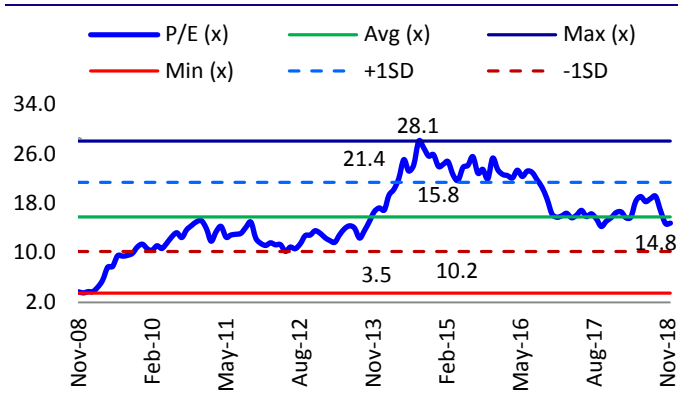
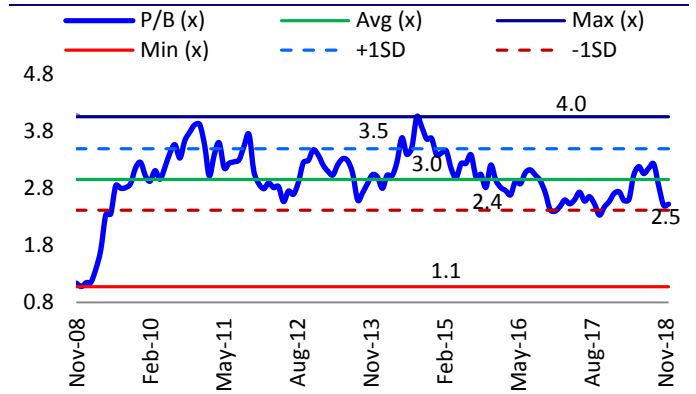


Exhibit 14: M&M: PB trend



Source: Bloomberg, MOSL

Exhibit 15: Comparative valuations

	CMP		TP	P/E (x)		EV/EBITDA (x)		RoE (%)		Div Yield (%)		EPS CAGR (%)
	(INR)	Rating		(INR)	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	
Auto OEM's												
Bajaj Auto	2,682	Buy	3,196	16.6	14.1	11.1	8.7	23.1	24.2	2.2	2.6	12.1
Hero MotoCorp	2,854	Neutral	3,280	15.7	14.3	9.1	8.2	29.4	29.7	3.7	4.0	4.0
TVS Motor	555	Neutral	554	34.8	24.5	17.6	13.2	24.1	28.3	0.7	0.9	27.4
M&M	770	Buy	1,016	16.4	14.2	12.7	10.6	15.1	15.5	1.3	1.3	15.1
Maruti Suzuki	7,372	Buy	8,484	27.7	22.0	14.9	12.7	17.4	19.2	1.4	1.7	12.0
Tata Motors	177	Buy	246	59.5	7.9	2.9	2.3	1.1	7.6	0.2	0.2	-1.2
Ashok Leyland	107	Buy	147	15.9	12.1	8.8	6.4	25.5	28.4	2.4	2.5	27.7
Eicher Motors	23,268	Buy	26,332	25.6	20.7	20.1	17.1	31.1	30.3	0.8	0.9	18.7
Escorts	654	Neutral	715	13.2	11.2	10.3	8.4	18.4	18.6	0.8	0.8	21.7
Auto Ancillaries												
Bharat Forge	586	Buy	702	24.8	19.5	13.8	11.5	21.7	23.3	0.9	1.1	27.6
Exide Industries	251	Buy	304	26.5	21.3	14.4	11.6	13.4	15.0	1.0	1.3	20.1
Amara Raja Batteries	736	Buy	902	25.3	19.7	12.7	9.9	15.8	17.7	0.6	0.8	16.2
BOSCH	19,225	Neutral	20,302	35.5	28.2	23.0	17.8	15.8	18.0	1.0	1.2	20.5
Endurance Tech	1,219	Buy	1,450	33.5	26.0	15.3	12.2	21.6	23.5	0.5	1.0	27.1
Motherson Sumi	154	Buy	212	26.1	17.8	8.9	6.2	18.6	23.6	1.0	1.5	26.6
CEAT	1,244	Buy	1,278	18.3	15.0	9.9	8.7	10.1	11.3	0.6	0.7	14.0

Operating metrics

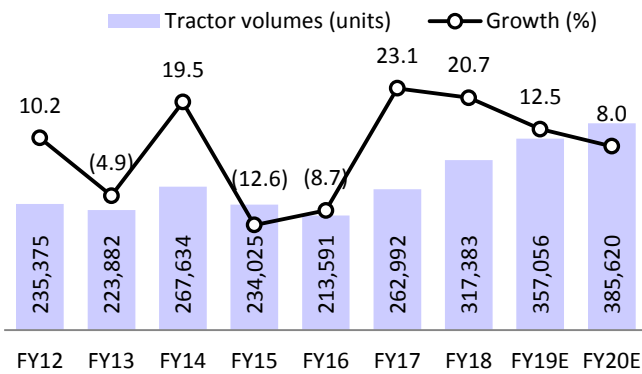
Exhibit 16: Snapshot of Revenue model

000 units	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Tractors	224	268	234	214	263	317	357	386
Growth (%)	-4.9	19.5	-12.6	-8.7	23.1	20.7	12.5	8.0
% of total volumes	29.0	34.9	33.5	30.2	34.6	37.0	36.9	35.8
UVs	470	428	398	424	437	477	533	608
Growth (%)	22.4	-8.9	-7.2	6.7	3.1	9.1	11.8	14.0
LCVs (MTBL)	12	8	5	6	8	8	9	12
Growth (%)	-13.9	-31.4	-34.7	20.6	18.7	1.6	20.0	25.0
3-Ws	66	63	57	55	52	55	67	72
Growth (%)	-2.9	-3.4	-10.3	-3.2	-4.9	4.4	22.0	8.0
Verito	16	8	2	3	3	3	3	3
Growth (%)	-12.2	-48.0	-80.5	62.5	0.0	0.0	0.0	0.0
M&HCVs (MTBL)	3	2	3	6	7	9	12	14
Growth (%)	-14.9	-34.2	-3.9	15.0	0.0	0.0	0.0	0.0
Total Autos	548	500	465	494	497	540	609	692
Growth (%)	17.7	-8.8	-7.0	6.3	0.7	8.5	12.9	13.5
% of total volumes	71.0	65.1	66.5	69.8	65.4	63.0	63.1	64.2
Total volumes	772	767	699	708	760	857	966	1,077
Growth (%)	9.5	-1.2	-10.2	1.3	8.8	12.9	12.9	11.5
ASP (INR'000/Unit)	507	514	542	571	572	560	564	575
Growth (%)	16.1	1.4	5.5	5.2	0.3	-2.1	0.7	2.0
Net Sales (INR b)	399	400	379	404	441	487	553	630
Growth (%)	27.1	0.2	-5.2	6.6	9.1	10.5	13.6	13.8

Source: Company, MOSL

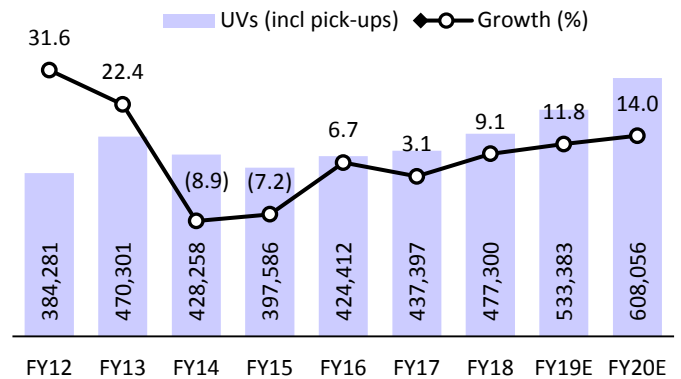
Story in charts: Tractors to drive growth for M&M

Exhibit 17: Trend in tractor volumes



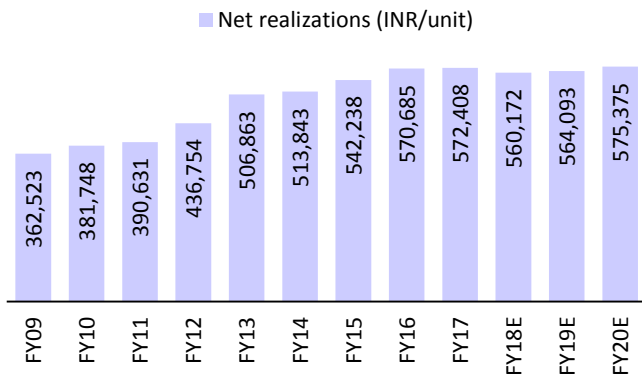
Source: Company, MOSL

Exhibit 18: New product launches to drive UV sales



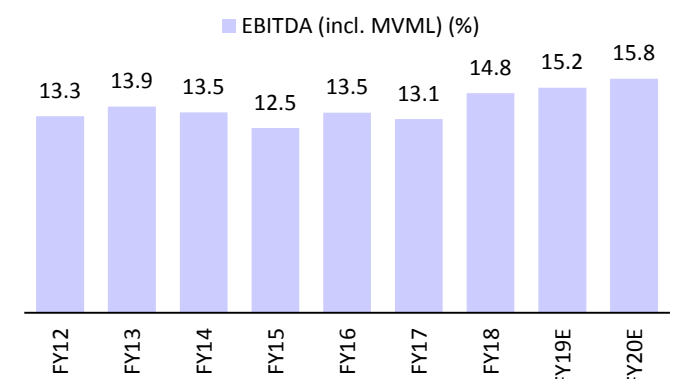
Source: Company, MOSL

Exhibit 19: Realization to move up gradually



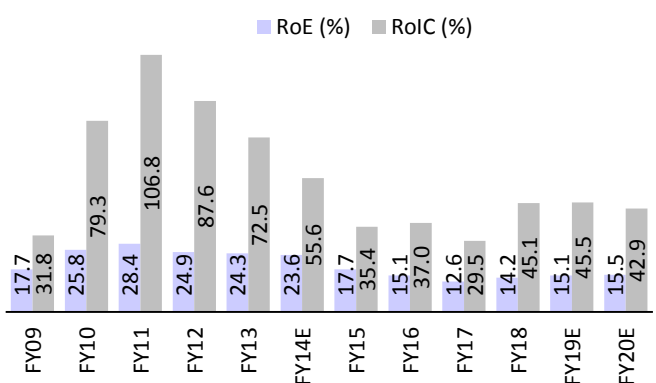
Source: Company, MOSL

Exhibit 20: Margins to improve in FY18-20E



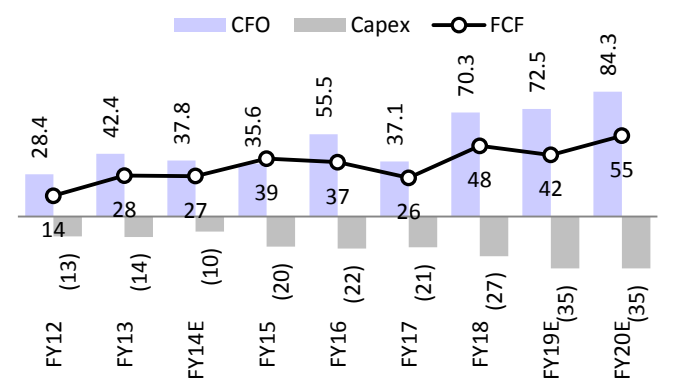
Source: Company, MOSL

Exhibit 21: RoE to improve gradually over FY18-20E



Source: Company, MOSL

Exhibit 22: FCF to improve despite high capex plans



Source: Company, MOSL

Financials and Valuations

Income Statement							(INR Million)	
Y/E March	2012	2015	2016	2017	2018	2019E	2020E	
Net Op. Income	318,535	384,448	408,751	440,535	486,856	553,269	629,503	
Change (%)	35.8	-5.1	6.3	7.8	10.5	13.6	13.8	
Total Expenditure	280,828	342,714	362,551	395,388	424,615	481,312	542,684	
EBITDA	37,707	41,734	46,199	45,147	62,240	71,957	86,819	
Margins (%)	11.8	10.9	11.3	10.2	12.8	13.0	13.8	
Margins (% incl MVML)	13.3	12.5	13.5	13.1	14.8	15.2	15.8	
Depreciation	5,761	9,749	10,681	15,264	14,794	18,203	22,023	
EBIT	31,946	31,985	35,518	29,883	47,446	53,754	64,796	
Deferred Revenue Exp.	0	0	0	0	0	0	0	
Int. & Finance Charges	1,628	2,143	1,861	1,596	1,122	1,232	1,289	
Other Income	4,658	9,883	8,499	13,455	10,364	14,641	15,530	
Non-recurring Expense	0	0	0	0	0	0	0	
Non-recurring Income	1,083	3,357	687	0	4,336	1,550	0	
Profit before Tax	36,059	43,082	42,845	41,742	61,024	68,714	79,038	
Tax	7,270	8,478	10,799	10,792	17,464	18,896	22,921	
Eff. Tax Rate (%)	20.2	19.7	25.2	25.9	28.6	27.5	29.0	
Profit after Tax	28,789	34,604	32,046	30,949	43,560	49,818	56,117	
Change (%)	8.1	-7.9	-7.4	-3.4	40.7	14.4	12.6	
% of Net Sales	9.0	9.0	7.8	7.0	8.9	9.0	8.9	
Adj. Profit after Tax	27,924	31,908	31,532	30,949	40,465	48,694	56,117	
Change (%)	8.5	(14.1)	(1.2)	(1.8)	30.7	20.3	15.2	
Adj. PAT (incl MVML)	29,113	31,595	33,394	35,133	43,202	52,637	59,584	

Balance Sheet							(INR Million)	
Y/E March	2012	2015	2016	2017	2018	2019E	2020E	
Share Capital	2,945	2,957	2,963	2,968	5,950	5,950	5,950	
Reserves	118,640	189,594	221,269	264,888	296,991	334,909	379,127	
Net Worth	121,585	192,551	224,232	267,856	302,941	340,859	385,076	
Deferred tax	5,271	9,797	-54	2,548	2,772	2,772	2,772	
Loans	31,738	46,615	18,436	27,729	28,644	28,644	28,644	
Capital Employed	158,595	248,963	242,614	298,134	334,357	372,275	416,492	
Application of Funds								
Gross Fixed Assets	74,986	117,385	139,386	154,778	182,295	238,582	273,582	
Less: Depreciation	34,179	58,091	63,426	77,068	103,700	121,903	143,926	
Net Fixed Assets	40,808	59,295	75,960	77,710	78,594	116,678	129,655	
Capital WIP	10,000	21,788	15,622	20,404	31,287	10,000	10,000	
Investments	103,105	131,382	135,474	179,084	205,830	206,455	221,455	
Curr.Assets, L & Adv.	85,082	116,985	123,286	125,034	158,457	191,312	223,217	
Inventory	23,584	24,376	26,879	27,580	27,017	30,316	34,493	
Inventory Days	27	23	24	23	20	20	20	
Sundry Debtors	19,884	25,580	25,116	29,388	31,730	36,379	41,392	
Debtor Days	23	25	23	24	24	24	24	
Cash & Bank Bal.	11,884	20,648	22,870	16,875	28,937	52,657	73,806	
Loans & Advances	24,077	40,054	17,103	5,406	10,182	11,369	12,935	
Others	5,653	6,328	31,317	45,784	60,591	60,591	60,591	
Current Liab. & Prov.	80,399	80,486	107,728	104,098	139,811	152,170	167,835	
Sundry Creditors	47,962	53,655	66,780	68,811	86,034	98,527	112,103	
Creditor Days	56	52	60	57	65	65	65	
Other Liabilities	13,985	6,143	30,300	21,388	38,485	38,485	38,485	
Provisions	18,453	20,688	10,648	13,899	15,292	15,158	17,247	
Net Current Assets	4,683	36,499	15,558	20,935	18,646	39,142	55,382	
Application of Funds	158,595	248,963	242,614	298,134	334,357	372,275	416,492	

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2012	2015	2016	2017	2018	2019E	2020E
Basic (INR)							
Fully diluted EPS	23.7	27.0	26.6	26.1	34.0	40.9	47.2
FD EPS (incl MVML)	24.7	26.7	28.2	29.6	36.3	44.2	50.1
Consolidated EPS	26.0	24.2	26.3	27.4	41.0	47.0	54.3
Cash EPS	28.6	35.2	35.6	38.9	46.4	56.2	65.7
Book Value per Share	103.2	162.8	189.2	225.6	254.6	286.5	323.6
DPS	6.3	6.0	6.0	6.5	10.0	10.0	10.0
Payout (Incl. Div. Tax) %	14.9	24.5	26.3	12.3	31.7	27.8	24.6
Valuation (x)							
P/E	31.2	28.8	27.3	26.0	21.2	17.4	15.4
Consolidated P/E	29.6	31.8	29.3	28.1	18.8	16.4	14.2
Cash P/E	26.9	21.9	21.6	19.8	16.6	13.7	11.7
EV/EBITDA	6.8	10.9	9.3	9.6	14.1	12.1	8.5
EV/Sales	0.8	1.2	1.1	1.0	1.8	1.6	1.2
Price to Book Value	7.5	4.7	4.1	3.4	3.0	2.7	2.4
Dividend Yield (%)	0.8	0.8	0.8	0.8	1.3	1.3	1.3
Profitability Ratios (%)							
RoE	24.9	17.7	15.1	12.6	14.2	15.1	15.5
RoCE	20.3	14.2	13.4	11.9	13.0	14.0	14.5
ROIC	87.6	35.4	37.0	29.5	45.1	45.5	42.9
Turnover Ratios							
Debtors (Days)	23	25	23	24	24	24	24
Inventory (Days)	27	23	24	23	20	20	20
Creditors (Days)	56	52	60	57	65	65	65
Working Capital (Days)	5	35	14	17	14	26	32
Asset Turnover (x)	2.0	1.5	1.7	1.5	1.5	1.5	1.5
Leverage Ratio							
Debt/Equity (x)	0.3	0.2	0.1	0.1	0.1	0.1	0.1

Cash Flow Statement

(INR Million)

Y/E March	2012	2015	2016	2017	2018	2019E	2020E
OP/(Loss) before Tax	34,976	38,332	41,612	41,742	56,688	53,754	64,796
Int./Dividends Received	-1,113	-3,723	-3,027	-9,800	-8,084	14,641	15,530
Depreciation & Amort.	5,761	-9,749	11,086	15,264	14,794	18,203	22,023
Direct Taxes Paid	-7,432	-8,468	-9,279	-9,929	-12,887	-18,896	-22,921
(Inc)/Dec in Wkg. Capital	-4,843	15,802	14,393	-508	17,803	3,224	4,908
Other Items				332	1,957		
CF from Oper. Activity	27,350	32,195	54,785	37,100	70,271	70,926	84,337
Extra-ordinary Items	1,083	3,357	687	0	0	1,550	0
Other Items	0	0	0	0	0	0	0
CF after EO Items	28,432	35,552	55,473	37,100	70,271	72,476	84,337
(Inc)/Dec in FA+CWIP	-13,404	-20,226	-21,597	-20,743	-26,688	-35,000	-35,000
Free Cash Flow	13,945	11,969	33,189	16,358	43,583	35,926	49,337
(Pur)/Sale of Invest.	-5,961	-4,005	-13,865	-7,076	-24,416	-625	-15,000
CF from Inv. Activity	-19,365	-24,231	-35,461	-27,818	-51,104	-35,625	-50,000
Change in Net Worth	818	26	0	0	0	1,928	1,928
Inc/(Dec) in Debt	6,442	-3,847	-9,500	-1,742	592	0	0
Interest Paid	-1,496	-2,419	-2,110	-1,482	-1,695	-1,232	-1,289
Dividends Paid	-8,008	-9,609	-8,461	-8,391	-9,230	-11,899	-12,067
CF from Fin. Activity	-2,244	-15,848	-20,071	-11,615	-10,333	-11,203	-11,429
Inc/(Dec) in Cash	5,741	-7,884	-747	-2,333	8,834	24,097	22,909
Add: Beginning Balance	6,146	29,504	20,648	22,870	16,875	28,937	52,657
Closing Balance	11,884	21,788	20,069	20,705	25,876	53,035	75,734

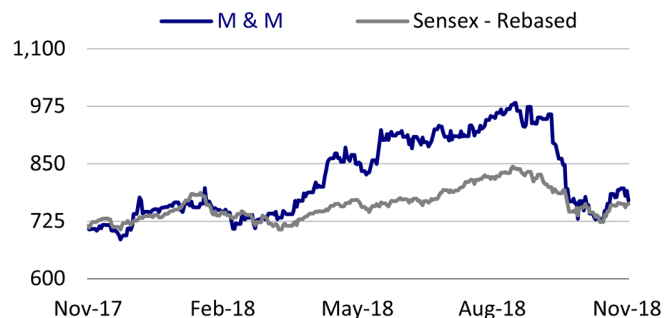
E: MOSL Estimates

Corporate profile

Company description

M&M is the market leader in UV and tractors, with market share of over 40% in both segments. It also has presence into CVs, 3-wheelers and 2-wheelers segments. Also, Ssangyong, its subsidiary in South Korea is focused on SUV segment in global markets. Apart from core auto business, it has subsidiaries/associates in various businesses like IT, NBFC, Auto ancillaries, hospitality, infrastructure etc.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	20.5	20.5	25.2
DII	20.3	20.3	20.0
FII	42.1	42.2	39.6
Others	17.2	17.1	15.2

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Life Insurance Corporation Of India Alongwith Its Sub Accounts	8.7
First State Investments Icvc- Stewart Investors Asia Pacific Leaders Fund	3.5
Icici Prudential Life Insurance Company Limited Along With Its Sub-Account	2.3
Sbi Fund Along With Its Sub-Accounts	2.1
Government Of Singapore- Along With Its Sub Account	1.4

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Anand Mahindra	Executive Chairman
Keshub Mahindra	Chairman Emeritus
Pawan Goenka	Managing Director
Narayan Shankar	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Anupam Puri	R K Kulkarni
M M Murugappan	T N Manoharan
N B Godrej	Vikram Singh Mehta
	Vishakha N Desai

*Independent

Exhibit 6: Auditors

Name	Type
D C Dave & Co	Cost Auditor
Sachin Bhagwat	Secretarial Audit
B S R & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	47.0	51.6	-8.9
FY20	54.3	59.6	-9.0

Source: Bloomberg

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL)* is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India (MCX) & National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Securities Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOSL has not engaged in market making activity for the subject company

The associates of MOSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not commendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-38281085.

Registration details: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. *Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench. The existing registration no(s) of MOSL would be used until receipt of new MOFSL registration numbers.