



Mahindra & Mahindra Ltd

Key Stock Indicators

| | | | | | |
|----------------------|-------|---|----------------|-------------------------------------|-----------|
| NSE Ticker : | M&M | CMP (as on 23 Dec 2010—Rs/share): | 751.4 | Shares outstanding (mn) : | 580.1 |
| Bloomberg Ticker : | MM:IN | 52-week range up to 23 Dec 2010 (Rs)(H/L): | 1192.20/502.85 | Free Float (%) : | 74.2 |
| Face value / Share : | 5.0 | Market Cap as on 23 Dec 2010 (Rs mn): | 435,823 | Average daily volumes (12 months) : | 1,602,563 |
| Div. Yield (%) : | 1.3 | Enterprise Value as on 23 Dec 2010 (Rs mn): | 543,310 | Beta (2 year) : | 1.1 |

Mahindra and Mahindra Ltd (M&M) was incorporated in 1945 M&M is the flagship company of the Mahindra group. It started its operations by assembling jeeps imported in a semi-knocked down condition from Willys, US. M&M is among the leading tractor manufacturers in the world and is the market leader in utility vehicles (UVs) in India. It has presence in diversified business segments viz. automobiles, tractors, financial services, telecom, software, infrastructure development, auto components and hospitality. These businesses account around 93% of the top-line of the consolidated company.

KEY HIGHLIGHTS

M&M continues to be market leader in UV segment

M&M has maintained its leadership in the UV segment in India. M&M's UV segment volumes grew by 42% to 150,058 units, while the domestic UV industry grew by 20% in 2009-10. As a result M&M further strengthened its domination of the domestic UV sub segment, increasing its market share to 55.3% in FY10 as compared to 47.1% in FY09. M&M's leading models are Scorpio, Bolero and newly launched Xylo.

M&M expands its two wheeler portfolio

M&M had acquired an 80% stake in the two-wheeler business of the Kinetic group in August 2008 for Rs 1100 million. Since then, the company has launched three scooters. In October 2010, the company expanded its portfolio in motorcycle segment through its subsidiary Mahindra Two wheelers by launching two new bikes Stallio and Mojo with 110cc and 300cc, respectively. M&M's market share in the scooters segment has increased from 5% in 2009-10 to 7% in the first half of 2010-11.

M&M continues to dominate the tractor industry

M&M is the largest player in tractors with a market share around 41.4% in FY10. M&M's tractor sales have grown in line with the industry in 2009-10. Tractor sales, which contribute around 28% to the company's total revenues in FY10, grew by around 33% y-o-y. Its acquisition of Punjab Tractors Ltd in 2008-09 has enabled M&M to strengthen its product and geographical diversification.

KEY RISKS

- Increasing competition with existing domestic and global players
- Increasing raw material prices like steel, rubber
- Availability of credit at affordable interest rates
- Large differential in taxes levied on small cars and larger vehicles

Stock Performances vis-à-vis market

| | Returns (%) | | | |
|-------|-------------|-----|-----|------|
| | YTD | 1-m | 3-m | 12-m |
| M&M | 41 | -1 | 9 | 44 |
| NIFTY | 13 | 1 | 0 | 16 |

Note:

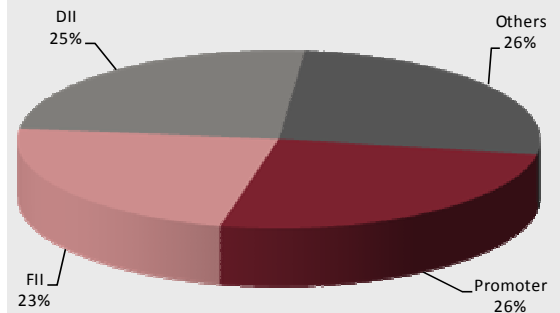
- 1) YTD returns are since April 1, 2010 to Dec 23, 2010.
- 2) 1-m, 3-m and 12-m returns are up to Dec 23, 2010.

Key Financial Indicators

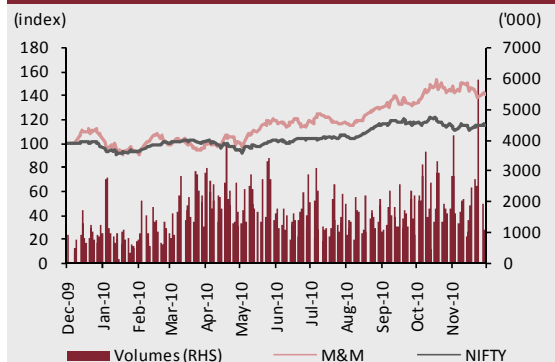
| | Mar-08 | Mar-09 | Mar-10 |
|--------------------|-----------|-----------|-----------|
| Revenue (Rs mn) | 229,520.2 | 252,301.8 | 299,867.3 |
| EBITDA margins (%) | 10.8 | 8.5 | 13.2 |
| PAT (Rs mn) | 18,677.3 | 9,496.2 | 28,895.2 |
| PAT margins (%) | 8.1 | 3.8 | 9.6 |
| Gearing (x) | 1.5 | 1.3 | 1.3 |
| EPS (Rs/share) | 78.1 | 34.8 | 51.1 |
| PE (x) | 8.9 | 11.0 | 14.7 |
| P/BV (x) | 2.6 | 1.2 | 4.1 |
| RoCE (%) | 21.7 | 16.2 | 23.4 |
| RoE (%) | 31.5 | 12.4 | 30.1 |
| EV/EBITDA (x) | 10.0 | 8.8 | 13.4 |

n.m. : Not meaningful

Shareholding (As on September 30, 2010)



Indexed price chart



Mahindra & Mahindra Ltd

BACKGROUND

M&M is a leading automotive and farm equipment manufacturer in the country. The company also operates in several other businesses such as financial services, telecom, software, infrastructure development, auto components, hospitality etc. In 2009-10, the company ventured into the aerospace business by acquiring Aerostaff Australia and Gippsland Aeronautics for \$38 million, with 75.1% stake in each company. M&M has also formed joint ventures (JVs) with Renault S A (and later acquired Renault S A's stake in the JVs) and Navistar International Corporation in the automotive original equipment manufacturing space.

The company has also recently expanded its two wheeler portfolio from scooters by launching two new models - Stalio and Mojo - in the motorcycle segment. As of 2009-10, the company earned majority of its revenues from the automotive (35% share in revenues) and farm equipment businesses (28%), followed by IT services (15%), auto components (10%), financial services (5%).

COMPETITIVE POSITION

Peer Comparison

| | Mahindra & Mahindra Ltd. Mar-10 | Tata Motors Ltd. Mar-10 | Maruti Suzuki India Ltd. Mar-10 |
|--------------------|------------------------------------|----------------------------|------------------------------------|
| Revenue (Rs mn) | 299,867.3 | 963,045.2 | 300,767.0 |
| EBITDA margins (%) | 13.2 | 6.1 | 13.4 |
| PAT (Rs mn) | 28,895.2 | 4,206.7 | 26,247.0 |
| PAT Margin (%) | 9.6 | 0.4 | 8.7 |
| Gearing (x) | 1.3 | -4.0 | 0.1 |
| EPS (Rs/share) | 51.1 | 7.4 | 90.8 |
| PE(x) | 14.7 | 183.3 | 15.7 |
| P/BV (x) | 4.1 | -8.6 | 3.4 |
| RoCE (%) | 23.4 | 18.8 | 31.9 |
| RoE (%) | 30.1 | - | 24.2 |
| EV/EBITDA (x) | 13.4 | 17.6 | 10.4 |

n.m.: Not meaningful

FINANCIAL PROFILE

Robust top line growth in FY10; margins expand

M&M's income grew 18.9% y-o-y in FY10 as against 9.9% y-o-y in FY09, with top-line growing from Rs.252 billion in FY09 to Rs.299 billion in FY10, due to the continued strong demand from automotive and tractors businesses and strong revenue growth in its subsidiaries which registered an improvement across all its segments.

M&M's operating margins faced pressure in FY09 because of rising input costs and lower sales volumes, which caused its operating margins to dip by around 200 basis points (bps) in FY09. Subsequently, the company's operating margins rose by around 470 bps in FY10 due to decline in raw material prices, strong demand (especially in automotive and farm equipment businesses).

Key Financial Indicators

| | Units | Mar-08 | Mar-09 | Mar-10 |
|----------------|------------|-----------|-----------|-----------|
| Revenue | Rs million | 229,520.2 | 252,301.8 | 299,867.3 |
| EBITDA margins | Per cent | 10.8 | 8.5 | 13.2 |
| PAT | Rs million | 18,677.3 | 9,496.2 | 28,895.2 |
| PAT margins | Per cent | 8.1 | 3.8 | 9.6 |
| Revenue growth | Per cent | 35.3 | 9.9 | 18.9 |
| EBITDA growth | Per cent | 21.0 | -13.7 | 84.5 |
| PAT growth | Per cent | 35.4 | -49.2 | 204.3 |
| Gearing | Times | 1.5 | 1.3 | 1.3 |
| RoCE | Per cent | 21.7 | 16.2 | 23.4 |
| RoE | Per cent | 31.5 | 12.4 | 30.1 |

INDUSTRY PROFILE

Automobiles

The Indian automobile industry grew by 14% to Rs 1547 Bn in 2009-10. The industry which had witnessed steady growth until 2007-08, with rise in income levels and favourable demographic profile, was impacted in 2008-09 on account of slower economic growth, crunched finance scenario, poor consumer sentiments and input cost pressures. However, stimulus packages by the government enabled a quick recovery across segments in second half of 2009-10. The automobile industry has also witnessed a number of structural changes over the past few years with launch of innovative vehicle models at competitive prices and emergence of the hub and spoke model for commercial vehicles. Rise in rural incomes, player focus on rural sales and launch of low cost car enabled higher car sales. However, entry of new players has increased competitive intensity across auto segments.

Mahindra & Mahindra Ltd

ANNUAL RESULTS

Income Statement

| (Rs million) | Mar-08 | Mar-09 | Mar-10 |
|--------------------------|------------------|------------------|------------------|
| Net Sales | 225,376.0 | 248,660.9 | 295,478.6 |
| Operating Income | 229,520.2 | 252,301.8 | 299,867.3 |
| EBITDA | 24,892.1 | 21,488.0 | 39,649.3 |
| EBITDA Margin | 10.8 | 8.5 | 13.2 |
| Depreciation | 5,839.4 | 7,534.1 | 8,802.3 |
| Interest | 6,867.9 | 17,153.5 | 11,205.7 |
| Other Income | 16,293.2 | 18,857.7 | 21,082.9 |
| PBT | 25,249.3 | 12,471.9 | 40,411.3 |
| PAT | 18,677.3 | 9,496.2 | 28,895.2 |
| PAT Margin | 8.1 | 3.8 | 9.6 |
| No. of shares (Mn No.) | 239.1 | 272.6 | 565.9 |
| Earnings per share (EPS) | 78.1 | 34.8 | 51.1 |

Cash flow

| (Rs million) | Mar-08 | Mar-09 | Mar-10 |
|--|------------------|------------------|------------------|
| Pre-tax profit | 28,478.0 | 15,658.1 | 40,724.2 |
| Total tax paid | -6,600.6 | -4,684.0 | -9,150.0 |
| Depreciation | 5,839.4 | 7,534.1 | 8,802.3 |
| Change in working capital | -15,646.0 | 14,645.8 | -15,435.9 |
| Cash flow from operating activities | 12,070.8 | 33,154.0 | 24,940.6 |
| Capital Expenditure | -34,231.0 | -22,700.9 | -22,591.7 |
| Investments and others | -3,514.2 | -20,265.4 | -14,239.9 |
| Cash flow from investing activities | -37,745.2 | -42,966.3 | -36,831.6 |
| Equity raised/(repaid) | 276.8 | 13.2 | 7,194.4 |
| Debt raised/(repaid) | 20,519.8 | 16,093.0 | 19,955.4 |
| Dividend (incl. tax) | -3,348.0 | -3,644.3 | -6,391.3 |
| Others (incl extraordinary) | 5,054.4 | 9,745.6 | -11,171.4 |
| Cash flow from financing activities | 22,503.0 | 22,207.5 | 9,587.1 |
| Change in cash position | -3,171.4 | 12,395.2 | -2,303.9 |
| Opening cash | 20,451.2 | 17,279.9 | 29,675.1 |
| Closing cash | 17,279.9 | 29,675.1 | 27,371.2 |

n.m : Not meaningful;

Balance sheet

| (Rs million) | Mar-08 | Mar-09 | Mar-10 |
|-------------------------------|------------------|------------------|------------------|
| Equity share capital | 2,390.7 | 9,726.2 | 2,829.5 |
| Reserves and surplus | 62,570.7 | 78,006.2 | 101,646.5 |
| Tangible net worth | 64,961.4 | 87,732.4 | 104,476.0 |
| Deferred tax liability: asset | -175.7 | -1,884.0 | 482.1 |
| Long-term debt | 77,681.5 | 88,459.5 | 111,259.7 |
| Short-term-debt | 21,128.6 | 26,443.6 | 23,598.8 |
| Total debt | 98,810.1 | 114,903.1 | 134,858.5 |
| Current liabilities | 57,691.9 | 74,158.5 | 75,216.8 |
| Total provisions | 13,910.2 | 16,157.5 | 19,380.8 |
| Total liabilities | 235,197.9 | 291,067.5 | 334,414.2 |
| Gross block | 81,791.9 | 107,907.0 | 116,739.5 |
| Net fixed assets | 52,365.4 | 71,506.3 | 83,199.5 |
| Investments | 13,547.2 | 33,812.6 | 48,052.5 |
| Current assets | 169,285.3 | 185,748.6 | 203,162.2 |
| Receivables | 37,814.3 | 34,850.5 | 32,549.8 |
| Inventories | 32,754.2 | 32,714.6 | 35,489.9 |
| Cash | 17,279.9 | 29,675.1 | 27,371.2 |
| Total assets | 235,197.9 | 291,067.5 | 334,414.2 |

Ratio

| | Mar-08 | Mar-09 | Mar-10 |
|--------------------------------|--------|--------|--------|
| Revenue growth (%) | 35.3 | 9.9 | 18.9 |
| EBITDA growth(%) | 21.0 | -13.7 | 84.5 |
| PAT growth(%) | 35.4 | -49.2 | 204.3 |
| EBITDA margins(%) | 10.8 | 8.5 | 13.2 |
| Tax rate (%) | 27.4 | 40.6 | 30.7 |
| PAT margins (%) | 8.1 | 3.8 | 9.6 |
| Dividend payout (%) | 15.1 | 31.8 | 19.0 |
| Return on Equity (%) | 31.5 | 12.4 | 30.1 |
| Return on capital employed (%) | 21.7 | 16.2 | 23.4 |
| Gearing (x) | 1.5 | 1.3 | 1.3 |
| Interest coverage (x) | 3.6 | 1.3 | 3.5 |
| Debt/EBITDA (x) | 4.0 | 5.3 | 3.4 |
| Asset turnover (x) | 3.1 | 2.7 | 2.7 |
| Current ratio (x) | 1.9 | 1.7 | 1.8 |
| Gross current assets (days) | 267 | 264 | 244 |

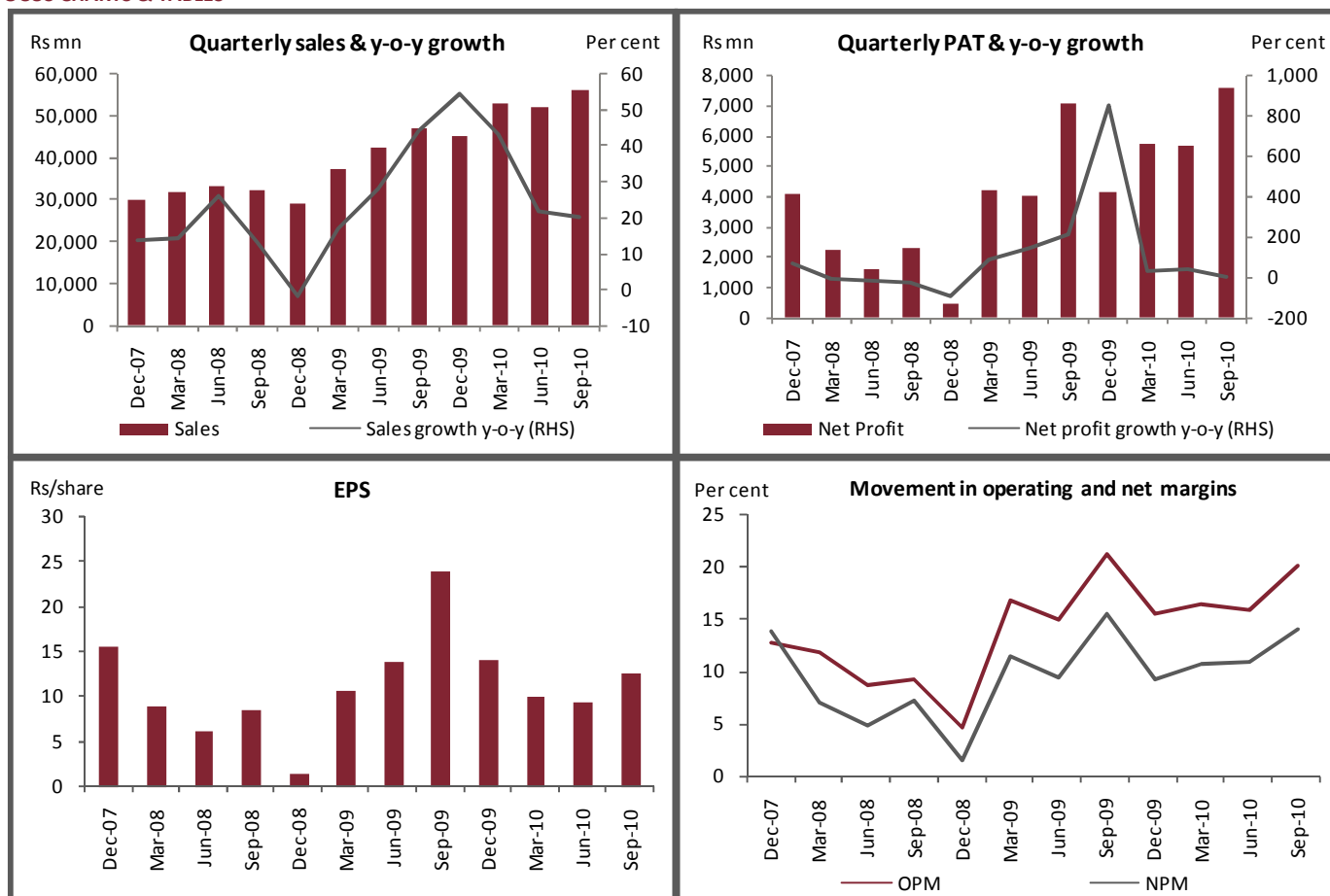
QUARTERLY RESULTS

Profit and loss account

| (Rs million) | Sep-10 | % of Rev | Sep-09 | % of Rev | Jun-10 | % of Rev | Sep-10 | % of Rev | Sep-09 | % of Rev |
|----------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|------------------|--------------|-----------------|--------------|
| No of Months | 3 | | 3 | | 3 | | 6 | | 6 | |
| Revenue | 56,341.3 | 100.0 | 46,910.8 | 100.0 | 52,032.8 | 100.0 | 108,147.1 | 100.0 | 89,572.4 | 100.0 |
| EBITDA | 10,947.4 | 19.4 | 9,644.9 | 20.6 | 8,187.6 | 15.7 | 18,908.0 | 17.5 | 15,970.3 | 17.8 |
| Interest | (90.5) | (0.2) | 127.6 | 0.3 | - | - | (317.5) | (0.3) | 187.1 | 0.2 |
| Depreciation | 970.0 | 1.7 | 891.9 | 1.9 | 976.2 | 1.9 | 1,946.2 | 1.8 | 1,776.8 | 2.0 |
| PBT | 10,067.9 | 17.9 | 9,532.9 | 20.3 | 7,211.4 | 13.9 | 17,279.3 | 16.0 | 14,913.9 | 16.7 |
| PAT | 7,584.9 | 13.5 | 7,029.4 | 15.0 | 5,623.9 | 10.8 | 13,208.8 | 12.2 | 11,037.9 | 12.3 |

Mahindra & Mahindra Ltd

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

| | Dec 2009 | Mar 2010 | Jun 2010 | Sep 2010 |
|----------|----------|----------|----------|----------|
| Promoter | 27.2 | 26.3 | 26.3 | 25.8 |
| FII | 22.9 | 23.4 | 23.0 | 23.3 |
| DII | 27.2 | 24.9 | 25.1 | 24.7 |
| Others | 22.7 | 25.3 | 25.6 | 26.2 |

Board of Directors

| Director Name | Designation |
|-------------------------------------|--|
| Keshub Mahindra (Mr.) | Non-Executive Chairman, Promoter-Director |
| Anand Gopal Mahindra (Mr.) | Vice Chairman & Managing Director, Promoter-Director |
| Arun Kanti Dasgupta (Mr.) | Nominee Director-Lic |
| Bharat Narotam Doshi (Mr.) | Director |
| Ashok Sekhar Ganguly (Dr.) | Non-Executive Director |
| Nadir Burjorji Godrej (Mr.) | Non-Executive Director |
| Ravindra Kumar Kulkarni (Mr.) | Non-Executive Director |
| Murugappan Muthiah Murugappan (Mr.) | Non-Executive Director |
| Arun Kumar Nanda (Mr.) | Non-Executive Director |
| Deepak Shantilal Parekh (Mr.) | Non-Executive Director |
| Anupam Pradip Puri (Mr.) | Non-Executive Director |
| Narayanan Vaghul (Mr.) | Non-Executive Director |

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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