

## Mahindra & Mahindra

### Performance Highlights

Y/E March (₹ cr)	4QFY15	4QFY14	% chg (yoy)	3QFY15	% chg (qoq)
<b>Net Sales</b>	<b>9,123</b>	<b>10,048</b>	<b>(9.2)</b>	<b>9,260</b>	<b>(1.5)</b>
EBITDA	1,004	1,282	(21.7)	1,080	(7.0)
EBITDA Margin (%)	11.0	12.8	(180 bp)	11.7	(70 bp)
<b>Adj. PAT</b>	<b>550</b>	<b>1,121</b>	<b>(50.9)</b>	<b>667</b>	<b>(17.6)</b>

Source: Company, Angel Research

**Results in line with estimates:** For 4QFY2015, M&M posted numbers in line of our expectations. For MM+MVML, revenues dipped 9% yoy to ₹9,123cr, largely in line with our estimate of ₹8,781cr; owing to a 16% volume decline in the quarter. Automotive volumes dipped 10% while tractor volumes dipped 30%. However, realization/vehicle grew 7% yoy on account of better mix and price hikes and to an extent limited the downside in the top-line. On the operating front, M&M's margin of 11% was in line with our expectations of 11.3%. The margin declined 180bp yoy given the huge volume decline and with lower contribution of the high margin tractor business in the mix. During the quarter, M&M realized a one-time gain of ₹36.4cr on account of profit on sale of long term investments. Adj Profit, at ₹550cr, largely met our expectation of ₹572 cr.

**Outlook and valuation:** M&M is likely to witness volume recovery over the next two years (FY2016 & FY2017) in both the automotive and the tractor segment. In the automotive segment, M&M aims to introduce two new compact utility vehicles with an option of the petrol variant (so far it did not have presence in this space) enabling it to regain market share. Further it plans to launch a small commercial vehicle which would boost share in the commercial segment. We also believe that the tractor industry growth would revive from 2HFY2016 on back of indications of a normal monsoon and increased non-agri usage of tractors. M&M PAT is likely to grow at CAGR of 8% over FY2015-FY2017 period. We have broadly retained our earnings estimates. **We maintain Accumulate rating on the stock with a revised SOTP based price target of ₹1,332.**

### Key financials (MM+MVML)

Y/E March (₹ cr)	FY2014	FY2015E	FY2016E	FY2017E
<b>Net Sales</b>	<b>38,817</b>	<b>37,468</b>	<b>41,078</b>	<b>46,473</b>
% chg	1.2	(3.5)	9.6	13.1
<b>Net Profit</b>	<b>3,905</b>	<b>3,423</b>	<b>3,194</b>	<b>3,897</b>
% chg	10.2	(12.3)	(6.7)	22.0
EBITDA (%)	13.5	12.3	11.5	12.0
<b>EPS (₹)</b>	<b>63.4</b>	<b>55.1</b>	<b>51.4</b>	<b>62.7</b>
P/E (x)	19.8	22.8	24.4	20.0
P/BV (x)	4.5	4.0	3.6	3.2
RoE (%)	22.6	17.4	14.7	15.9
RoCE (%)	20.8	16.4	15.8	17.3
EV/Sales (x)	2.0	2.1	1.9	1.7
EV/EBITDA (x)	14.6	17.0	16.5	13.9

Source: Company, Angel Research; P/E not adjusted for the value of subsidiaries

## ACCUMULATE

CMP	₹1,256
Target Price	₹1,332

Investment Period	12 Months
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Stock Info	
Sector	Automobile
Market Cap (₹ cr)	77,978
Net Debt (₹ cr)	(10,488)
Beta	0.9
52 Week High / Low	1,421/1,106
Avg. Daily Volume	73,907
Face Value (₹)	5
BSE Sensex	27,849
Nifty	8,433
Reuters Code	MAHM.BO
Bloomberg Code	MM@IN

Shareholding Pattern (%)	
Promoters	25.7
MF / Banks / Indian Fls	23.0
FII / NRIs / OCBs	34.6
Indian Public / Others	16.7

Abs. (%)	3m	1yr	3yr
Sensex	(5.2)	15.0	74.4
MM	(2.8)	2.0	94.7

### 3-Year Daily Price Chart



Source: Company, Angel Research

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**Exhibit 1: Quarterly financial performance (MM+MVML)**

Y/E March (₹ cr)	4QFY15	4QFY14	% chg (yoy)	3QFY15	% chg (qoq)	FY15	FY14	% chg (yoy)
<b>Net Sales</b>	<b>9,123</b>	<b>10,048</b>	<b>(9.2)</b>	<b>9,260</b>	<b>(1.5)</b>	<b>37,468</b>	<b>38,817</b>	<b>(3.5)</b>
Consumption of RM	6,228	6,918	(10.0)	6,398	(2.6)	25,727	26,920	(4.4)
(% of Sales)	68.3	68.9		69.1		68.7	69.4	
Staff Costs	608	596	1.9	653	(6.9)	2,494	2,311	7.9
(% of Sales)	6.7	5.9		7.0		6.7	6.0	
Other Expenses	1,283	1,251	2.5	1,130	13.5	4,645	4,338	7.1
(% of Sales)	14.1	12.5		12.2		12.4	11.2	
<b>Total Expenditure</b>	<b>8,119</b>	<b>8,765</b>	<b>(7.4)</b>	<b>8,181</b>	<b>(0.8)</b>	<b>32,865</b>	<b>33,569</b>	<b>(2.1)</b>
<b>Operating Profit</b>	<b>1,004</b>	<b>1,282</b>	<b>(21.7)</b>	<b>1,080</b>	<b>(7.0)</b>	<b>4,603</b>	<b>5,248</b>	<b>(12.3)</b>
OPM (%)	11.0	12.8		11.7		12.3	13.5	
Interest	83	87	(4.0)	66	25.6	304	361	(15.9)
Depreciation	276	258	6.9	264	4.5	1,098	976	12.5
Other Income	95	114	(16.7)	90	5.9	820	665	23.4
<b>PBT (excl. Extr. Items)</b>	<b>740</b>	<b>1,052</b>	<b>(29.6)</b>	<b>839</b>	<b>(11.8)</b>	<b>4,021</b>	<b>4,576</b>	<b>(12.1)</b>
Extr. Income/(Expense)	36	53		299		336	53	
<b>PBT (incl. Extr. Items)</b>	<b>776</b>	<b>1,104</b>	<b>(29.7)</b>	<b>1,139</b>	<b>(31.8)</b>	<b>4,357</b>	<b>4,629</b>	<b>(5.9)</b>
(% of Sales)	8.5	11.0		12.3		11.6	11.9	
Provision for Taxation	190	(69)	(375.9)	172	10.7	934	724	29.1
(% of PBT)	25.7	(6.6)		20.5		23.2	15.8	
<b>Reported PAT</b>	<b>586</b>	<b>1,173</b>	<b>(50.1)</b>	<b>967</b>	<b>(39.4)</b>	<b>3,423</b>	<b>3,905</b>	<b>(12.3)</b>
<b>Adj PAT</b>	<b>550</b>	<b>1,121</b>	<b>(50.9)</b>	<b>667</b>	<b>(17.6)</b>	<b>3,423</b>	<b>3,905</b>	<b>(12.3)</b>
Adj. PATM	6.0	11.2		7.2		9.1	10.1	
Equity capital (cr)	295.7	295.2		295.7		295.7	295.2	
<b>Adjusted EPS (₹)</b>	<b>8.9</b>	<b>18.2</b>	<b>(51.4)</b>	<b>10.7</b>	<b>(17.6)</b>	<b>55.1</b>	<b>63.4</b>	<b>(13.1)</b>

Source: Company, Angel Research

**Exhibit 2: 4QFY2015 - Actual vs Angel Estimates**

Y/E March (₹ cr)	Actual	Estimates	Variation (%)
<b>Net Sales</b>	<b>9,123</b>	<b>8,781</b>	<b>3.9</b>
EBITDA	1,004	992	1.2
EBITDA margin (%)	11.0	11.3	(70 bp)
<b>Adj. PAT</b>	<b>550</b>	<b>572</b>	<b>(3.8)</b>

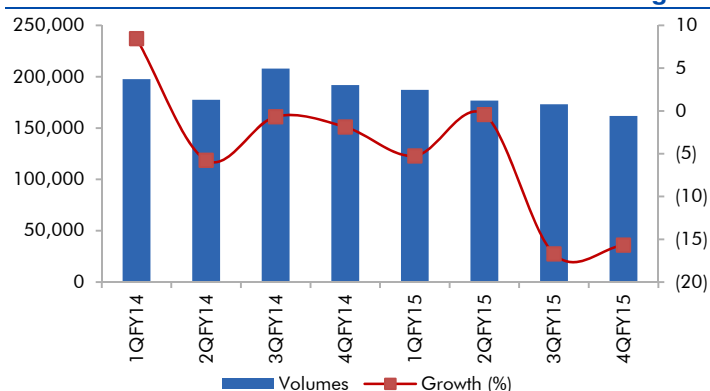
Source: Company, Angel Research

**Exhibit 3: Quarterly volume performance**

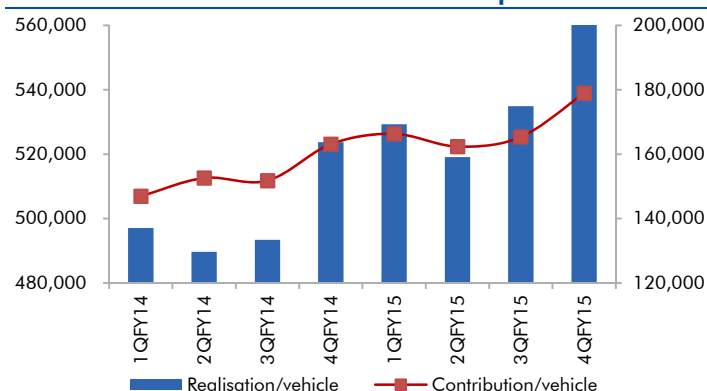
Volume (units)	4QFY15	4QFY14	% chg (yoy)	3QFY15	% chg (qoq)	FY15	FY14	% chg (yoy)
<b>Total volumes</b>	<b>161,777</b>	<b>191,862</b>	<b>(15.7)</b>	<b>173,114</b>	<b>(6.5)</b>	<b>698,874</b>	<b>774,811</b>	<b>(9.8)</b>
Auto Sales - Domestic	113,156	128,152	(11.7)	106,838	5.9	434,652	477,517	(9.0)
Auto Sales - Exports	10,019	8,335	20.2	6,562	52.7	30,199	29,659	1.8
<b>Total Auto Sales</b>	<b>123,175</b>	<b>136,487</b>	<b>(9.8)</b>	<b>113,400</b>	<b>8.6</b>	<b>464,851</b>	<b>507,176</b>	<b>(8.3)</b>
Tractor Sales - Domestic	34,511	52,513	(34.3)	56,293	(38.7)	220,157	257,271	(14.4)
Tractor Sales - Exports	4,091	2,862	42.9	3,421	19.6	13,866	10,364	33.8
<b>Total Tractor Sales</b>	<b>38,602</b>	<b>55,375</b>	<b>(30.3)</b>	<b>59,714</b>	<b>(35.4)</b>	<b>234,023</b>	<b>267,635</b>	<b>(12.6)</b>

Source: Company, Angel Research

- M&M's volumes continued to decline in double digits. During 4QFY2015, overall volumes dipped 16% yoy. Automotive volumes declined by 10% due to lack of new launches in the utility vehicle space and decline in the LCV industry. Tractor volumes declined 30% yoy due to poor farm incomes on account of crop damage and depressed crop prices.
- Realisation/vehicle grew 8% yoy to ₹563,919. Better product mix and price hikes in both the farm and automotive segments boosted realisations. Contribution/vehicle grew 10% yoy to ₹178,931 on back of improved realizations and benign commodity prices.

**Exhibit 4: Volumes continue to decline in double digits**


Source: Company, Angel Research

**Exhibit 5: Realisation and contribution per vehicle**


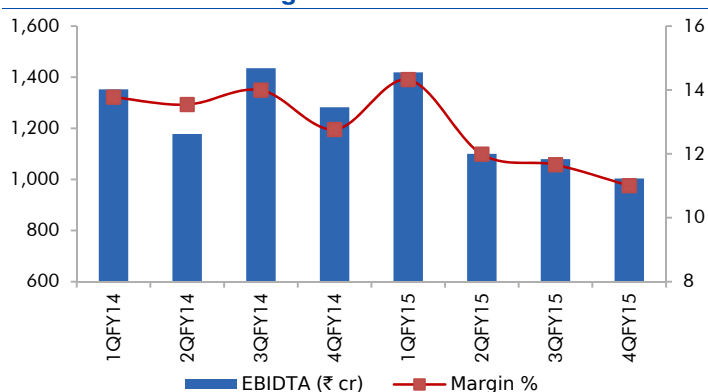
Source: Company, Angel Research

**Exhibit 6: Segmental performance**

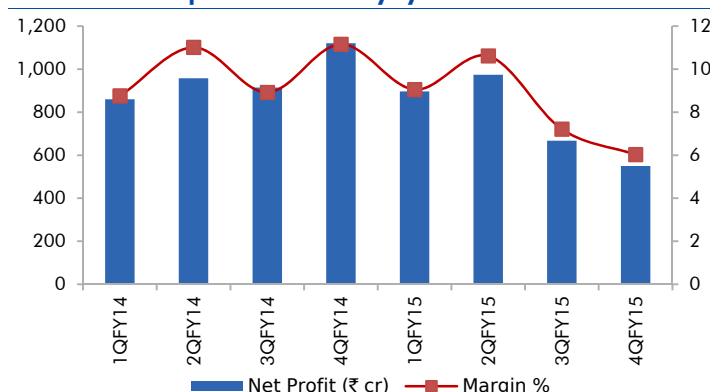
Y/E March (₹ cr)	4QFY15	4QFY14	% chg (yoy)	3QFY15	% chg (qoq)	FY15	FY14	% chg (yoy)
<b>Total Net Sales</b>	<b>9,162</b>	<b>10,084</b>	<b>(9.1)</b>	<b>9,295</b>	<b>(1.4)</b>	<b>37,591</b>	<b>38,992</b>	<b>(3.6)</b>
Auto segment	6,621	6,890	(3.9)	5,818	13.8	24,220	24,633	(1.7)
Farm segment	2,535	3,188	(20.5)	3,472	(27.0)	13,347	14,334	(6.9)
Other segments	5	6	(12.6)	5	5.4	24	25	(5.9)
<b>Total PBIT</b>	<b>867</b>	<b>1,165</b>	<b>(25.6)</b>	<b>979</b>	<b>(11.4)</b>	<b>4,123</b>	<b>4,804</b>	<b>(14.2)</b>
Auto segment	583	619	(5.8)	483	20.7	2,151	2,346	(8.3)
Farm segment	283	544	(47.9)	495	(42.7)	1,967	2,453	(19.8)
Other segments	0.7	2.1	(68.1)	0.9	(26.7)	5.0	6.0	(16.2)
<b>PBIT/ Sales (%)</b>	<b>9.5</b>	<b>11.6</b>	<b>(210)bp</b>	<b>10.5</b>	<b>(100)bp</b>	<b>11.0</b>	<b>12.3</b>	<b>(130)bp</b>
Auto segment	8.8	9.0	(20)bp	8.3	50bp	8.9	9.5	(60)bp
Farm segment	11.2	17.1	(590)bp	14.2	(300)bp	14.7	17.1	(240)bp
Other segments	12.0	33.0		17.3		21.2	23.8	

Source: Company, Angel Research

- EBITDA margin, at 11%, declined 180bp yoy. Double digit volume decline coupled with adverse mix (lower proportion of high margin tractor segment) impacted the margins.
- Weak operating performance coupled with higher taxation impacted the profitability. The adjusted net profit stood at ₹550cr which is largely in line with our estimate of ₹572cr.

**Exhibit 7: EBITDA margin in line**


Source: Company, Angel Research

**Exhibit 8: Net profit declines yoy**


Source: Company, Angel Research

## Analyst Meet – Key highlights

- M&M expects the tractor industry to remain subdued in FY2016. As per the company, recent unseasonal rains along with the new government's policy to increase MSPs only marginally, are likely to keep farm incomes subdued in the near term. M&M expects the rainfall to be normal in FY2016 and expects the tractor industry to grow 5% in FY2016. The growth is likely to be back-ended with 1HFY2016 witnessing a de-growth.
- M&M maintained market share in the tractor industry. Its FY2015 share stood at 40% as against 40.6% in FY2014. M&M recently launched "Arjun Novo" in the 50hp and above segment and received an encouraging response to it with sales of 6,000 units in 2HFY2015.
- M&M expects the automotive industry to perform better in FY2016. Pick-up in economic growth, cut in interest rates along with stability in fuel prices would lead to acceleration in automotive volumes.
- With new launches in the compact segment, M&M is aiming to gain market share in the utility vehicle space. M&M would launch one new product and one refresh in each quarter over 9MFY2016. Out of the three new products, two would be in the compact UV space while one would be a new LCV.
- M&M's Korean subsidiary Ssangyong Motor Co (SYMC)'s losses widened in CY2014 due to pressure on volumes (due to slowdown in key export markets of Russia and China) and increase in wage expenses due to a court ruling. SYMC's losses swelled from 2397.9mn Won in CY2013 to 50,918mn Won in CY2014. With the new launches, M&M expects volumes for SYMC to pick up in the future. M&M is planning to invest 900mn USD in SYMC over the next four to five years.
- M&M is continuing to expand network reach in rural areas. The contribution of rural sales to the automotive business increased to 33% in FY2015 from 26% in FY2014. During FY2016, M&M would enhance presence in an additional 800 tehsils in the country over and above the 6,000 tehsils covered currently.
- M&M is focusing on increasing the export business. It would set up new business units in export markets of Africa and Egypt to significantly scale up business across segments viz automotive, farm equipment as well as the agro business.
- M&M's recent JV with Mitsubishi would enable the company to develop new products to effectively cater to markets such as Japan and other Asean countries. Besides new products, the JV would ensure security of supplies to the US subsidiary (Mahindra USA).
- M&M is envisaging huge potential in the agri business industry. As per the company, the agri industry's (comprising productivity improvement segment, agri supply chain, food processing, branded foods, etc) size is ₹19.5 lakh cr and is projected to reach a size of ₹36 lakh cr by 2020. M&M is actively tapping the industry to leverage its large tractor customer base and its strong rural brand image. M&M is tapping new segment such as seeds, micro

irrigation, fruits, pulses etc to grow its agri business. The agri business revenues have grown from about ₹100cr in FY2011 to ₹600cr in FY2015.

- The company expects commodity prices to remain stable in the near term.
- The company has guided for a capex of ₹7,500cr and investments of ₹2,500cr over the next three years.

## Investment arguments

- **Volume uptrend expected over the next two years:** M&M is likely to witness volume uptrend over the next two years (FY2016-17) driven by recovery in both the automotive and the tractor segment. M&M would launch two new products in the compact UV space beginning FY2016 (M&M has limited presence in compact UVs which account for 40% of the UV industry) enabling it to regain market share. It also plans to launch a small commercial vehicle. Further, the other two key automotive segments - LCVs and three-wheelers - are likely to recover given the improved economic scenario.

The tractor segment is also expected to recover from 2HFY2016 on back of improved sentiments and early signs of a normal monsoon. Further, with an improvement in the economy, the non-agri usage of tractors is also likely to increase which would boost demand for tractors.

- **Investments constitute ~45% of total assets:** MM has presence in various sectors through majority stakes in various listed companies, ie in sectors like technology, hospitality, real estate and finance. The high growth potential of MM's subsidiaries has supported its valuation in the past and may continue to do so in the long term as well. Investments constitute ~45% of MM's total assets as of March 2014.

## Outlook and valuation

M&M is likely to witness volume recovery over the next two years (FY2016 & FY2017) in both the automotive and the tractor segment. In the automotive segment, M&M aims to introduce two new compact utility vehicles with an option of the petrol variant (so far it did not have presence in this space) enabling it to regain market share. Further it plans to launch a small commercial vehicle which would boost share in the commercial segment. We also believe that the tractor industry growth would revive from 2HFY2016 on back of indications of a normal monsoon and increased non-agri usage of tractors. M&M PAT is likely to grow at CAGR of 8% over FY2015-FY2017 period. We have broadly retained our earnings estimates. **We maintain Accumulate rating on the stock with a revised SOTP based price target of ₹1,332.**

**Exhibit 9: SOTP valuation**

Particulars	Value/share	Remarks
<b>Core business (MM+MVML)</b>	<b>941</b>	<b>At 15x FY2017 earnings</b>
<b>Key Subsidiaries</b>		
Tech Mahindra	271	Bloomberg Consensus target price
M&MFSL	130	2x its FY2017 Book value
Mahindra Lifespace	16	Market cap
Mahindra Holiday Resort	27	Market cap
Mahindra CIE	23	Market cap
Ssangyong	92	Market cap
Value of subsidiaries before discount	558	
<b>After holdings 30% discount</b>	<b>391</b>	
<b>Target Price</b>	<b>1,332</b>	

Source: Company, Angel Research

**Exhibit 10: Key assumptions**

Y/E March (units)	FY2012	FY2013	FY2014	FY2015	FY2016E	FY2017E
Passenger Vehicles (UV+Verito)	220,115	279,270	229,155	210,021	233,123	265,761
4-wheeler pick-up	152,691	174,233	177,587	158,957	171,674	188,841
Three wheelers	67,440	65,510	62,614	56,764	60,170	63,780
Truck & Bus	13,823	11,902	8,161	8,910	10,692	12,296
Exports	29,177	32,458	29,659	30,199	33,425	38,280
<b>Total Automotive Sales</b>	<b>483,246</b>	<b>563,373</b>	<b>507,176</b>	<b>464,851</b>	<b>509,084</b>	<b>568,957</b>
Domestic Tractor Sales	221,730	211,596	257,270	220,157	218,077	239,088
Exports Tractor Sales	13,722	12,289	10,364	13,866	15,946	18,338
<b>Total Tractor Sales</b>	<b>235,452</b>	<b>223,885</b>	<b>267,634</b>	<b>234,023</b>	<b>234,023</b>	<b>257,425</b>
<b>Total Volume</b>	<b>718,698</b>	<b>787,257</b>	<b>774,810</b>	<b>698,874</b>	<b>743,107</b>	<b>826,382</b>

Source: Company, Angel Research

**Company background**

Mahindra and Mahindra, the flagship company of the Mahindra Group, is the largest manufacturer of UVs and tractors in India with an ~37% and ~42% market share in these segments, respectively. The company is also the second largest player in the light commercial vehicle (LCV) space, with an ~37% market share. MM is also the only company in India that is present across all the automotive segments. It has an installed capacity of 6 lakh and 2.3 lakh units/year in the automotive and farm equipment segments respectively. In FY2011, MM acquired a 70% stake in Ssangyong Motor Co (SYMC), transforming itself into a global UV player. Apart from the core auto business, the company has subsidiaries/associates in various businesses such as IT, NBFC, auto ancillaries, hospitality and infrastructure.



**Profit and loss statement**

Y/E March (₹ cr)	FY2012	FY2013*	FY2014*	FY2015*	FY2016E*	FY2017E*
<b>Total operating income</b>	<b>31,847</b>	<b>38,357</b>	<b>38,817</b>	<b>37,468</b>	<b>41,078</b>	<b>46,473</b>
% chg	35.7	22.3	1.2	(3.5)	9.6	13.1
<b>Total expenditure</b>	<b>28,083</b>	<b>33,027</b>	<b>33,569</b>	<b>32,865</b>	<b>36,339</b>	<b>40,876</b>
Net raw material costs	23,500	27,439	26,920	25,727	28,344	31,974
Employee expenses	1,702	1,998	2,311	2,494	2,793	3,128
Other	2,881	3,590	4,338	4,645	5,202	5,774
<b>EBITDA</b>	<b>3,764</b>	<b>5,329</b>	<b>5,248</b>	<b>4,603</b>	<b>4,740</b>	<b>5,598</b>
% chg	9.0	28.4	(1.5)	(12.3)	3.0	18.1
(% of total op. income)	11.8	13.9	13.5	12.3	11.5	12.0
Depreciation & amortization	576	818	976	1,098	1,210	1,320
<b>EBIT</b>	<b>3,188</b>	<b>5,081</b>	<b>4,937</b>	<b>4,325</b>	<b>4,530</b>	<b>5,455</b>
% chg	4.9	28.2	(2.8)	(12.4)	4.7	20.4
(% of total op. income)	10.0	13.2	12.7	11.5	11.0	11.7
Interest and other charges	163	296	361	304	328	328
Other income	580	570	665	820	1,000	1,178
<b>Recurring PBT</b>	<b>3,606</b>	<b>4,785</b>	<b>4,576</b>	<b>4,021</b>	<b>4,202</b>	<b>5,128</b>
% chg	2.5	30.1	(4.4)	(12.1)	4.5	22.0
Extraordinary income/ (exp.)	(134)	91	53	336	0	0
<b>PBT</b>	<b>3,472</b>	<b>4,875</b>	<b>4,629</b>	<b>4,357</b>	<b>4,202</b>	<b>5,128</b>
Tax	727	1,241	724	934	1,008	1,231
(% of PBT)	20.9	25.5	15.6	21.4	24.0	24.0
<b>PAT (reported)</b>	<b>2,879</b>	<b>3,634</b>	<b>3,905</b>	<b>3,423</b>	<b>3,194</b>	<b>3,897</b>
<b>ADJ. PAT</b>	<b>2,745</b>	<b>3,544</b>	<b>3,905</b>	<b>3,423</b>	<b>3,194</b>	<b>3,897</b>
% chg	7.7	22.7	10.2	(12.3)	(6.7)	22.0
(% of total op. income)	8.6	9.2	10.1	9.1	7.8	8.4
<b>Basic EPS (₹)</b>	<b>48.9</b>	<b>59.2</b>	<b>63.4</b>	<b>55.6</b>	<b>51.9</b>	<b>63.3</b>
<b>Adj. EPS (₹)</b>	<b>46.6</b>	<b>57.7</b>	<b>63.4</b>	<b>55.1</b>	<b>51.4</b>	<b>62.7</b>
% chg	7.3	22.7	9.8	(13.1)	(6.7)	22.0

Note: \* (MM + MVML)

**Balance sheet statement**

Y/E March (₹ cr)	FY2012	FY2013*	FY2014*	FY2015E*	FY2016E*	FY2017E*
<b>SOURCES OF FUNDS</b>						
Equity share capital	295	295	295	296	296	296
Reserves & surplus	11,810	14,686	16,969	19,427	21,468	24,235
<b>Shareholders' Funds</b>	<b>12,105</b>	<b>14,981</b>	<b>17,265</b>	<b>19,723</b>	<b>21,764</b>	<b>24,530</b>
Total loans	3,174	4,152	4,308	4,308	4,308	4,308
Deferred tax liability	527	756	1,051	1,051	1,051	1,051
Other long term liabilities	275	415	586	700	850	1,000
Long term provisions	363	478	557	562	616	697
<b>Total Liabilities</b>	<b>16,444</b>	<b>20,782</b>	<b>23,767</b>	<b>26,344</b>	<b>28,589</b>	<b>31,587</b>
<b>APPLICATION OF FUNDS</b>						
Gross block	7,865	11,152	13,110	15,610	17,910	20,410
Less: Acc. depreciation	3,572	4,325	5,308	6,406	7,616	8,936
<b>Net Block</b>	<b>4,293</b>	<b>6,827</b>	<b>7,801</b>	<b>9,203</b>	<b>10,293</b>	<b>11,473</b>
Capital work-in-progress	795	919	1,254	1,254	1,254	1,254
<b>Investments</b>	<b>10,297</b>	<b>10,894</b>	<b>10,464</b>	<b>11,664</b>	<b>12,864</b>	<b>13,864</b>
Long term loans and adv.	1,477	2,087	3,018	2,997	3,286	3,718
Other noncurrent assets	36	504	416	416	416	416
<b>Current assets</b>	<b>6,871</b>	<b>8,782</b>	<b>10,595</b>	<b>10,247</b>	<b>10,822</b>	<b>12,568</b>
Cash	1,188	1,823	3,141	3,131	3,005	3,735
Loans & advances	1,396	827	1,031	974	1,068	1,208
Other	4,287	6,132	6,422	6,141	6,749	7,625
Current liabilities	7,326	9,232	9,782	9,439	10,348	11,707
<b>Net current assets</b>	<b>(454)</b>	<b>(450)</b>	<b>813</b>	<b>808</b>	<b>474</b>	<b>860</b>
Misc. exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>16,444</b>	<b>20,782</b>	<b>23,767</b>	<b>26,344</b>	<b>28,589</b>	<b>31,587</b>

Note: \* (MM + MVML)

**Cash flow statement**

Y/E March (₹ cr)	FY2012	FY2013*	FY2014*	FY2015E*	FY2016E*	FY2017E*
Profit before tax	3,472	4,785	4,576	4,021	4,202	5,128
Depreciation	576	583	984	1,098	1,210	1,320
Change in working capital	(484)	1,747	55	(5)	208	343
Others	479	(121)	(593)	139	(85)	(201)
Other income	(580)	-				
Direct taxes paid	(727)	(1,241)	(724)	(934)	(1,008)	(1,231)
<b>Cash Flow from Operations</b>	<b>2,735</b>	<b>5,753</b>	<b>4,299</b>	<b>4,320</b>	<b>4,526</b>	<b>5,360</b>
(Inc.)/Dec. in fixed assets	(1,915)	(1,441)	(2,292)	(2,500)	(2,300)	(2,500)
(Inc.)/Dec. in investments	(1,372)	(1,420)	430	(1,200)	(1,200)	(1,000)
Other income	580	-				
<b>Cash Flow from Investing</b>	<b>(2,707)</b>	<b>(2,861)</b>	<b>(1,863)</b>	<b>(3,700)</b>	<b>(3,500)</b>	<b>(3,500)</b>
Issue of equity	24	-				
Inc./(Dec.) in loans	853	67	156	-	-	-
Dividend paid (Incl. Tax)	803	(894)	(966)	(966)	(1,153)	(1,130)
Others	(1,135)	(1,533)				
<b>Cash Flow from Financing</b>	<b>545</b>	<b>(2,360)</b>	<b>(810)</b>	<b>(966)</b>	<b>(1,153)</b>	<b>(1,130)</b>
Inc./(Dec.) in cash	574	532	1,626	(346)	(126)	730
<b>Opening Cash balances</b>	<b>615</b>	<b>1,291</b>	<b>1,823</b>	<b>3,141</b>	<b>3,131</b>	<b>3,005</b>
<b>Closing Cash balances</b>	<b>1,188</b>	<b>1,823</b>	<b>3,141</b>	<b>3,131</b>	<b>3,005</b>	<b>3,735</b>

Note: \* (MM + MVML)

### Key ratios

Y/E March	FY2012	FY2013*	FY2014*	FY2015E*	FY2016E*	FY2017E*
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	27.7	21.8	19.8	22.8	24.4	20.0
P/CEPS	24.9	17.7	15.8	17.3	17.7	15.0
P/BV	7.2	5.1	4.5	4.0	3.6	3.2
Dividend yield (%)	1.0	1.1	1.1	1.1	1.3	1.2
EV/Sales	2.5	2.0	2.0	2.1	1.9	1.7
EV/EBITDA	21.0	14.7	14.6	17.0	16.5	13.9
EV / Total Assets	4.8	3.8	3.2	3.0	2.7	2.5
<b>Per Share Data (₹)</b>						
EPS (Basic)	45.3	57.7	63.4	55.1	51.4	62.7
EPS (fully diluted)	43.4	57.7	63.4	55.1	51.4	62.7
Cash EPS	50.5	71.0	79.3	72.8	70.9	84.0
DPS	12.0	13.0	14.0	13.9	16.0	15.7
Book Value	175.4	244.0	280.3	317.6	350.4	395.0
<b>Dupont Analysis</b>						
EBIT margin	13.0	13.2	12.7	11.5	11.0	11.7
Tax retention ratio	0.7	0.7	0.8	0.8	0.8	0.8
Asset turnover (x)	2.1	2.0	1.9	1.6	1.6	1.7
ROIC (Post-tax)	20.5	20.0	20.2	14.6	13.5	14.9
Cost of Debt (Post Tax)	2.1	5.3	7.1	5.5	5.8	5.8
Leverage (x)	(0.6)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
Operating ROE	9.4	11.6	13.1	9.8	9.4	10.0
<b>Returns (%)</b>						
ROCE (Pre-tax)	24.8	24.4	20.8	16.4	15.8	17.3
Angel ROIC (Pre-tax)	17.7	26.8	23.9	18.6	17.7	19.6
ROE	28.1	23.7	22.6	17.4	14.7	15.9
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	4.2	3.4	3.0	2.4	2.3	2.3
Inventory / Sales (days)	22	29	30	30	30	30
Receivables (days)	20	21	24	23	23	23
Payables (days)	63	79	81	81	81	81
WC cycle (ex-cash) (days)	(21)	(28)	(28)	(28)	(28)	(28)
<b>Solvency ratios (x)</b>						
Net debt to equity	(0.7)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
Net debt to EBITDA	(2.1)	(1.6)	(1.8)	(2.3)	(2.4)	(2.4)
Interest Coverage (EBIT / Int.)	41.9	17.1	13.7	14.2	13.8	16.7

Note: \* (MM + MVML)

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Disclosure of Interest Statement	Mahindra & Mahindra
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	Yes
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors*

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15)
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