

## Mahindra & Mahindra

### Performance Highlights

Y/E March (₹ cr)	1QFY16	1QFY15	% chg (yoy)	4QFY15	% chg (qoq)
<b>Net Sales</b>	<b>9,437</b>	<b>9,818</b>	<b>(3.9)</b>	<b>9,123</b>	<b>3.4</b>
EBITDA	1,353	1,419	(4.7)	1,004	34.8
EBITDA Margin (%)	14.3	14.5	(20 bp)	11.0	330 bp
<b>Adj. PAT</b>	<b>831</b>	<b>896</b>	<b>(7.3)</b>	<b>550</b>	<b>51.2</b>

Source: Company, Angel Research

**Results ahead of estimates:** Mahindra & Mahindra (M&M)'s 1QFY2016 numbers beat our as well as consensus estimates on account of better-than-anticipated operating performance. For MM+MVML (Mahindra Vehicle Manufacturers Ltd), revenues for the quarter dipped 4% yoy to ₹9,437cr, largely in line with our estimate of ₹9,088cr; owing to an 8% volume decline in the quarter. Automotive volumes declined 3% yoy while tractor volumes dipped 16% yoy. However, realization/vehicle grew 5% yoy on account of better mix and price hikes, thereby limiting the downside in the top-line. The operating margin, at 14.3%, surprised positively, beating our estimates of 11.9%. Cost control initiatives, benign commodity prices and price hikes in both the automotive and the tractor segment boosted the margins. Given the robust operating performance, the Adj PAT at ₹831cr came in better than our estimate of ₹688cr.

**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 utility vehicles with an option of the petrol variant (so far it did not have presence in this space) which will likely enable it to regain market share. Further, the recently launched small commercial vehicle "Jeeto" would boost the company's share in the light commercial vehicle (LCV) segment. We also believe that the tractor industry growth would revive from 2HFY2016 owing to the low base of the corresponding previous period and increased non-agri usage of tractors. M&M's PAT is likely to grow at a CAGR of 13% over FY2015-FY2017. We have increased our earnings assumptions given the margins surprise despite the muted volumes. **We upgrade our recommendation to "Accumulate" with a revised SOTP based price target of ₹1,493.**

### Key financials (MM+MVML)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
<b>Net Sales</b>	<b>38,817</b>	<b>37,468</b>	<b>40,088</b>	<b>45,176</b>
% chg	1.2	(3.5)	7.0	12.7
<b>Net Profit</b>	<b>3,905</b>	<b>3,423</b>	<b>3,704</b>	<b>4,371</b>
% chg	10.2	(12.3)	8.2	18.0
EBITDA (%)	13.5	12.3	13.8	14.0
<b>EPS (₹)</b>	<b>63.4</b>	<b>55.1</b>	<b>59.6</b>	<b>70.4</b>
P/E (x)	21.9	25.2	23.3	19.7
P/BV (x)	5.0	4.4	3.9	3.4
RoE (%)	22.6	17.3	16.6	17.2
RoCE (%)	20.8	17.1	17.9	18.6
EV/Sales (x)	2.2	2.3	2.1	1.8
EV/EBITDA (x)	16.2	18.4	15.2	13.0

Source: Company, Angel Research; Note: P/E not adjusted for the value of subsidiaries; CMP as of August 7, 2015

## ACCUMULATE

CMP	₹1,388
Target Price	₹1,493

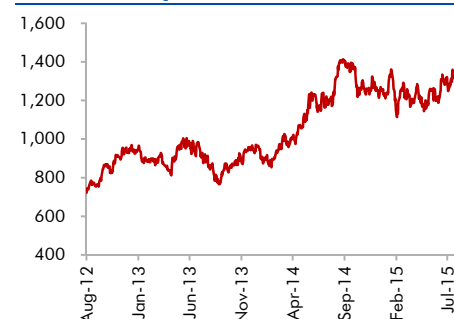
Investment Period	12 Months
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Stock Info	
Sector	Automobile
Market Cap (₹ cr)	86,186
Net Debt (₹ cr)	(11,246)
Beta	0.9
52 Week High / Low	1,441/1,106
Avg. Daily Volume	89,747
Face Value (₹)	5
BSE Sensex	28,236
Nifty	8,565
Reuters Code	MAHM.BO
Bloomberg Code	MM@IN

Shareholding Pattern (%)	
Promoters	25.6
MF / Banks / Indian Fls	27.5
FII / NRIs / OCBs	33.0
Indian Public / Others	13.9

Abs. (%)	3m	1yr	3yr
Sensex	6.2	10.3	60.4
MM	18.5	11.3	99.5

### 3-Year Daily Price Chart



Source: Company, Angel Research

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

Y/E March (₹ cr)	1QFY16	1QFY15	% chg (yoy)	4QFY15	% chg (qoq)	FY15	FY14	% chg (yoy)
<b>Net Sales</b>	<b>9,437</b>	<b>9,818</b>	<b>(3.9)</b>	<b>9,123</b>	<b>3.4</b>	<b>37,468</b>	<b>38,817</b>	<b>(3.5)</b>
Consumption of RM	6,426	6,794	(5.4)	6,228	3.2	25,727	26,920	(4.4)
(% of Sales)	68.1	69.2		68.3		68.7	69.4	
Staff Costs	657	624	5.3	608	8.1	2,494	2,311	7.9
(% of Sales)	7.0	6.4		6.7		6.7	6.0	
Other Expenses	1,001	981	2.1	1,283	(22.0)	4,645	4,338	7.1
(% of Sales)	10.6	10.0		14.1		12.4	11.2	
<b>Total Expenditure</b>	<b>8,084</b>	<b>8,399</b>	<b>(3.7)</b>	<b>8,119</b>	<b>(0.4)</b>	<b>32,865</b>	<b>33,569</b>	<b>(2.1)</b>
<b>Operating Profit</b>	<b>1,353</b>	<b>1,419</b>	<b>(4.7)</b>	<b>1,004</b>	<b>34.8</b>	<b>4,603</b>	<b>5,248</b>	<b>(12.3)</b>
OPM (%)	14.3	14.5		11.0		12.3	13.5	
Interest	56	82	(31.3)	83	(32.6)	304	361	(15.9)
Depreciation	264	280	(5.7)	276	(4.2)	1,098	976	12.5
Other Income	116	145	(19.8)	95	22.1	820	665	23.4
<b>PBT (excl. Extr. Items)</b>	<b>1,149</b>	<b>1,202</b>	<b>(4.4)</b>	<b>740</b>	<b>55.2</b>	<b>4,021</b>	<b>4,576</b>	<b>(12.1)</b>
Extr. Income/(Expense)	-	-		36		336	53	
<b>PBT (incl. Extr. Items)</b>	<b>1,149</b>	<b>1,202</b>	<b>(4.4)</b>	<b>776</b>	<b>48.0</b>	<b>4,357</b>	<b>4,629</b>	<b>(5.9)</b>
(% of Sales)	12.2	12.2		8.5		11.6	11.9	
Provision for Taxation	318	306	3.9	190	67.0	934	724	29.1
(% of PBT)	27.7	25.4		25.7		23.2	15.8	
<b>Reported PAT</b>	<b>831</b>	<b>896</b>	<b>(7.3)</b>	<b>586</b>	<b>41.8</b>	<b>3,423</b>	<b>3,905</b>	<b>(12.3)</b>
<b>Adj PAT</b>	<b>831</b>	<b>896</b>	<b>(7.3)</b>	<b>550</b>	<b>51.2</b>	<b>3,423</b>	<b>3,905</b>	<b>(12.3)</b>
Adj. PATM	8.8	9.1		6.0		9.1	10.1	
Equity capital (cr)	295.7	295.2		295.7		295.7	295.2	
<b>Adjusted EPS (₹)</b>	<b>13.4</b>	<b>14.6</b>	<b>(8.1)</b>	<b>8.9</b>	<b>51.2</b>	<b>55.1</b>	<b>63.4</b>	<b>(13.1)</b>

Source: Company, Angel Research

**Exhibit 2: 1QFY2016 - Actual vs Angel Estimates**

Y/E March (₹ cr)	Actual	Estimates	Variation (%)
<b>Net Sales</b>	<b>9,437</b>	<b>9,088</b>	<b>3.8</b>
EBITDA	1,353	1,086	24.6
EBITDA margin (%)	14.3	11.9	240 bp
<b>Adj. PAT</b>	<b>831</b>	<b>688</b>	<b>20.8</b>

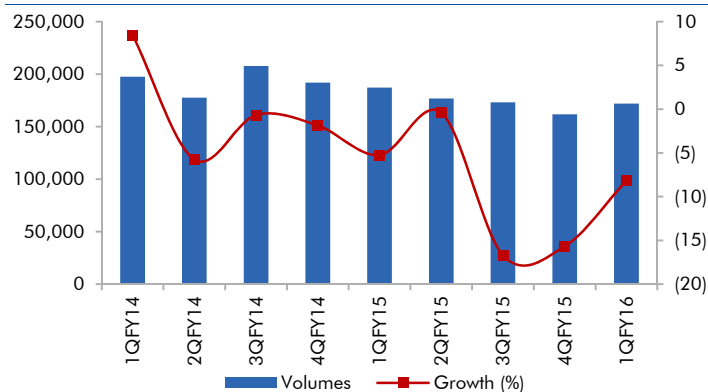
Source: Company, Angel Research

**Exhibit 3: Quarterly volume performance**

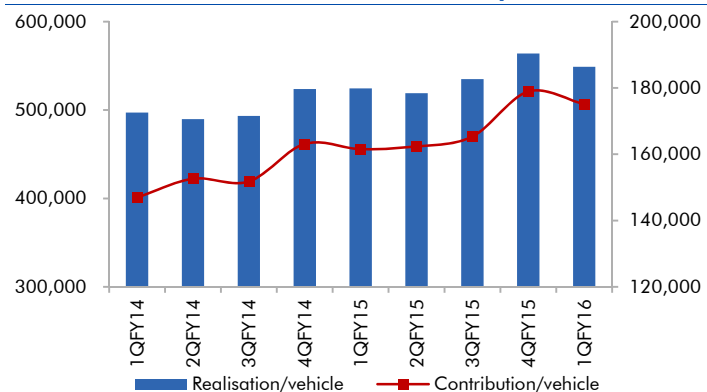
Volume (units)	1QFY16	1QFY15	% chg (yoy)	4QFY15	% chg (qoq)	FY15	FY14	% chg (yoy)
<b>Total volumes</b>	<b>171,925</b>	<b>187,178</b>	<b>(8.1)</b>	<b>161,777</b>	<b>6.3</b>	<b>698,874</b>	<b>774,811</b>	<b>(9.8)</b>
Auto Sales - Domestic	101,118	106,058	(4.7)	113,156	(10.6)	434,652	477,517	(9.0)
Auto Sales - Exports	8,449	6,565	28.7	10,019	(15.7)	30,199	29,659	1.8
<b>Total Auto Sales</b>	<b>109,567</b>	<b>112,623</b>	<b>(2.7)</b>	<b>123,175</b>	<b>(11.0)</b>	<b>464,851</b>	<b>507,176</b>	<b>(8.3)</b>
Tractor Sales - Domestic	59,150	71,920	(17.8)	34,511	71.4	220,157	257,271	(14.4)
Tractor Sales - Exports	3,208	2,635	21.7	4,091	(21.6)	13,866	10,364	33.8
<b>Total Tractor Sales</b>	<b>62,358</b>	<b>74,555</b>	<b>(16.4)</b>	<b>38,602</b>	<b>61.5</b>	<b>234,023</b>	<b>267,635</b>	<b>(12.6)</b>

Source: Company, Angel Research

- M&M's volumes continued to remain under pressure, declining for the eighth consecutive quarter. During 1QFY2016, overall volumes dipped 8% yoy. Automotive volumes declined 3% owing to continued market share loss in the utility vehicles (UV) space and sluggishness in the LCV industry. Tractor volumes dipped 16% yoy on account of poor sentiments due to moderation in Minimum Support Prices (MSPs) and uncertainty over the monsoon.
- Realisation/vehicle grew 5% yoy to ₹5,48,910. Better product mix and price hikes in both the farm and automotive segments boosted realizations. Contribution/vehicle grew 8% yoy to ₹175,146 on back of improved realizations and benign commodity prices.

**Exhibit 4: Volumes continue to decline**


Source: Company, Angel Research

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


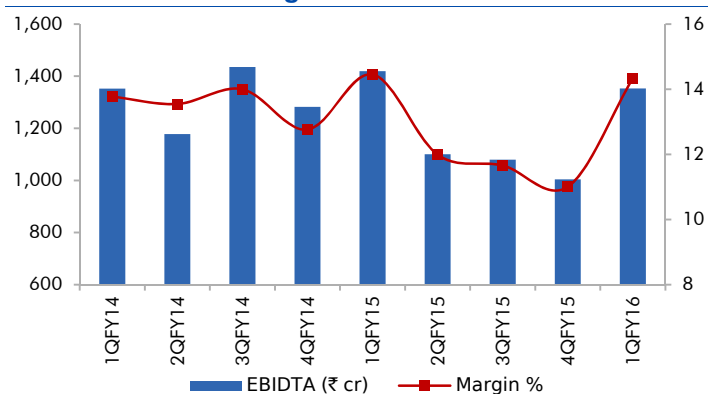
Source: Company, Angel Research

**Exhibit 6: Segmental performance**

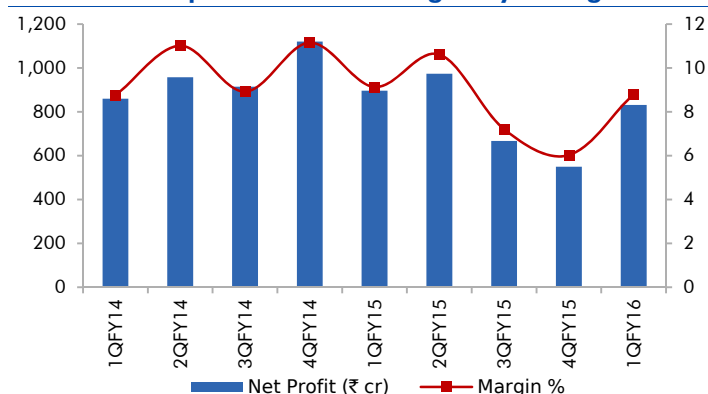
Y/E March (₹ cr)	1QFY16	1QFY15	% chg (yoy)	4QFY15	% chg (qoq)	FY15	FY14	% chg (yoy)
<b>Total Net Sales</b>	<b>9,471</b>	<b>9,839</b>	<b>(3.7)</b>	<b>9,162</b>	<b>3.4</b>	<b>37,591</b>	<b>38,992</b>	<b>(3.6)</b>
Auto segment	5,895	5,939	(0.7)	6,621	(11.0)	24,220	24,633	(1.7)
Farm segment	3,572	3,894	(8.3)	2,535	40.9	13,347	14,334	(6.9)
Other segments	4	7	(41.3)	5	(30.2)	24	25	(5.9)
<b>Total PBIT</b>	<b>1,239</b>	<b>1,291</b>	<b>(4.1)</b>	<b>867</b>	<b>42.8</b>	<b>4,123</b>	<b>4,804</b>	<b>(14.2)</b>
Auto segment	607	624	(2.8)	583	4.1	2,151	2,346	(8.3)
Farm segment	631	666	(5.3)	283	122.6	1,967	2,453	(19.8)
Other segments	0.5	0.4	21.4	0.7	(22.7)	5.0	6.0	(16.2)
<b>PBIT/ Sales (%)</b>	<b>13.1</b>	<b>13.1</b>	<b>-</b>	<b>9.5</b>	<b>360 bp</b>	<b>11.0</b>	<b>12.3</b>	<b>(130) bp</b>
Auto segment	10.3	10.5	(20) bp	8.8	150 bp	8.9	9.5	(60) bp
Farm segment	17.7	17.1	60 bp	11.2	650 bp	14.7	17.1	(240) bp
Other segments	13.3	6.4		12.0		21.2	23.8	

Source: Company, Angel Research

- EBITDA margin, at 14.3%, declined marginally by 20bp yoy, due to the base effect, ie mainly due to one-off incentives received during 1QFY2015. Adjusted for the one-offs, the operating margins improved 80bp yoy. Subdued commodity prices and price hikes helped in margin improvement.
- Given the strong operating performance, the net profit, at ₹831cr, was significantly ahead of our estimates of ₹688cr.

**Exhibit 7: EBITDA margins beat estimates**


Source: Company, Angel Research

**Exhibit 8: Net profit declines marginally on high base**


Source: Company, Angel Research

## Conference call – Key highlights

- M&M expects the passenger vehicle (PV) industry growth to accelerate in FY2016. It expects the industry to grow at 8-10% in the current fiscal as against 4% growth in FY2015. Improved economic environment coupled with new launches would lead to a better growth.
- M&M expects the tractor industry to remain under pressure in the near term. It expects the industry to decline even in 2QFY2016. However, it estimates the industry volumes to revive in 2HFY2016 if the monsoon picks up in the next two months. Also the low base of 2HFY2015 on account of crop damage and unseasonal rains would lead to recovery in 2HFY2016. M&M has maintained its tractor volume growth forecast of 5% for FY2016.
- In order to improve market share in the UV space, M&M plans to launch two new vehicles in FY2016. A compact UV code named UV 300 would be launched in mid September and another vehicle in the crossover space (code named S101) would also be launched in the current fiscal. M&M expects to regain market share in the UV segment on back of new launches.
- In order to improve market share in the LCV space, M&M recently launched “Jeeto” in the sub one tone segment. M&M targets to sell about 2,500 units/month of the Jeeto.
- As per the Management, the tractor inventory continues to be at normal levels. However, the automotive inventory is marginally higher (excessive by about 1 week as against a norm of 4-5 weeks).
- M&M’s Korean subsidiary Ssangyong Motor company (SYMC) has seen pick up in volumes on back of success of the recently launched Tivoli. As against a double digit drop in 1QCY2015, SYMC volumes have swung in the positive territory in the last two months. As a result YTDCY2015 (January 2015-July 2015) volume drop has moderated to 5%. SYMC is targeting to sell 1,46,000 units in CY2016, implying a growth of 4%.
- Export growth continues to be strong with volumes growing by a robust 32% in YTDFY2016 (April 2015-July2015). Robust growth in key markets Sri Lanka, Bangladesh, Nepal and Philippines boosted growth.
- During 1QFY2016, M&M increased automotive prices by about 0.5%. The tractor segment did not witness any pricing action.
- M&M has maintained its capex guidance of ₹2,500cr per year over the next two years. The amount would be majorly spent on new product introductions and research and development.

## 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), thus likely 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 M&M'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 M&M'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 utility vehicles with an option of the petrol variant (so far it did not have presence in this space), thus likely enabling it to regain market share. Further, the recently launched small commercial vehicle "Jeeto" would boost share in the light commercial vehicle segment. We also believe that the tractor industry growth would revive from 2HFY2016 on back of low base of the corresponding period and increased non-agri usage of tractors. M&M's PAT is likely to grow at a CAGR of 13% over FY2015-FY2017. We have increased our earnings assumptions given the margins surprise despite the muted volumes. **We upgrade our recommendation to "Accumulate" with a revised SOTP based price target of ₹1,493.**

**Exhibit 9: SOTP valuation**

Particulars	Value/share	Remarks
<b>Core business (MM+MVML)</b>	<b>1,126</b>	<b>At 16x FY2017 earnings</b>
<b>Key Subsidiaries</b>		
Tech Mahindra	237	Bloomberg Consensus target price
M&MFSL	125	2x its FY2017 Book value
Mahindra Lifespace	15	Market cap
Mahindra Holiday Resort	34	Market cap
Mahindra CIE	30	Market cap
Ssangyong	84	Market cap
Value of subsidiaries before discount	524	
<b>After holdings 30% discount</b>	<b>367</b>	
<b>Target Price</b>	<b>1,493</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	235,224	263,450
4-wheeler pick-up	152,691	174,233	177,587	158,957	168,494	185,344
Three wheelers	67,440	65,510	62,614	56,764	60,170	63,780
Truck & Bus	13,823	11,902	8,161	8,910	10,959	12,822
Exports	29,177	32,458	29,659	30,199	36,360	40,571
<b>Total Automotive Sales</b>	<b>483,246</b>	<b>563,373</b>	<b>507,176</b>	<b>464,851</b>	<b>511,207</b>	<b>565,967</b>
Domestic Tractor Sales	221,730	211,596	257,270	220,157	214,097	234,709
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>230,043</b>	<b>253,047</b>
<b>Total Volume</b>	<b>718,698</b>	<b>787,257</b>	<b>774,810</b>	<b>698,874</b>	<b>741,250</b>	<b>819,015</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>40,088</b>	<b>45,176</b>
% chg	35.7	22.3	1.2	(3.5)	7.0	12.7
<b>Total expenditure</b>	<b>28,083</b>	<b>33,027</b>	<b>33,569</b>	<b>32,865</b>	<b>34,570</b>	<b>38,852</b>
Net raw material costs	23,500	27,439	26,920	25,727	27,268	30,674
Employee expenses	1,702	1,998	2,311	2,494	2,714	3,039
Other	2,881	3,590	4,338	4,645	4,588	5,139
<b>EBITDA</b>	<b>3,764</b>	<b>5,329</b>	<b>5,248</b>	<b>4,603</b>	<b>5,518</b>	<b>6,324</b>
% chg	9.0	28.4	(1.5)	(12.3)	19.9	14.6
(% of total op. income)	11.8	13.9	13.5	12.3	13.8	14.0
Depreciation & amortization	576	818	976	1,098	1,194	1,320
<b>EBIT</b>	<b>3,188</b>	<b>5,081</b>	<b>4,937</b>	<b>4,325</b>	<b>5,230</b>	<b>6,061</b>
% chg	4.9	28.2	(2.8)	(12.4)	20.9	15.9
(% of total op. income)	10.0	13.2	12.7	11.5	13.0	13.4
Interest and other charges	163	296	361	304	301	310
Other income	580	570	665	820	906	1,058
<b>Recurring PBT</b>	<b>3,606</b>	<b>4,785</b>	<b>4,576</b>	<b>4,021</b>	<b>4,929</b>	<b>5,751</b>
% chg	2.5	30.1	(4.4)	(12.1)	22.6	16.7
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>4,929</b>	<b>5,751</b>
Tax	727	1,241	724	934	1,225	1,380
(% of PBT)	20.9	25.5	15.6	21.4	24.9	24.0
<b>PAT (reported)</b>	<b>2,879</b>	<b>3,634</b>	<b>3,905</b>	<b>3,423</b>	<b>3,704</b>	<b>4,371</b>
<b>ADJ. PAT</b>	<b>2,745</b>	<b>3,544</b>	<b>3,905</b>	<b>3,423</b>	<b>3,704</b>	<b>4,371</b>
% chg	7.7	22.7	10.2	(12.3)	8.2	18.0
(% of total op. income)	8.6	9.2	10.1	9.1	9.2	9.7
<b>Basic EPS (₹)</b>	<b>48.9</b>	<b>59.2</b>	<b>63.4</b>	<b>55.6</b>	<b>60.1</b>	<b>71.0</b>
<b>Adj. EPS (₹)</b>	<b>46.6</b>	<b>57.7</b>	<b>63.4</b>	<b>55.1</b>	<b>59.6</b>	<b>70.4</b>
% chg	7.3	22.7	9.8	(13.1)	8.2	18.0

Note: \* (MM + MVML)



**Balance sheet statement**

Y/E March (₹ cr)	FY2012	FY2013*	FY2014*	FY2015*	FY2016E*	FY2017E*
<b>SOURCES OF FUNDS</b>						
Equity share capital	295	295	295	296	296	296
Reserves & surplus	11,810	14,686	16,969	19,518	22,069	25,172
<b>Shareholders' Funds</b>	<b>12,105</b>	<b>14,981</b>	<b>17,265</b>	<b>19,813</b>	<b>22,364</b>	<b>25,468</b>
Total loans	3,174	4,152	4,308	3,038	4,308	4,308
Deferred tax liability	527	756	1,051	1,151	1,151	1,151
Other long term liabilities	275	415	586	614	850	1,000
Long term provisions	363	478	557	655	601	678
<b>Total Liabilities</b>	<b>16,444</b>	<b>20,782</b>	<b>23,767</b>	<b>25,271</b>	<b>29,274</b>	<b>32,604</b>
<b>APPLICATION OF FUNDS</b>						
Gross block	7,865	11,152	13,110	14,107	16,507	18,007
Less: Acc. depreciation	3,572	4,325	5,308	6,323	7,517	8,837
<b>Net Block</b>	<b>4,293</b>	<b>6,827</b>	<b>7,801</b>	<b>7,784</b>	<b>8,990</b>	<b>9,170</b>
Capital work-in-progress	795	919	1,254	2,297	1,254	1,254
<b>Investments</b>	<b>10,297</b>	<b>10,894</b>	<b>10,464</b>	<b>12,179</b>	<b>13,379</b>	<b>14,379</b>
Long term loans and adv.	1,477	2,087	3,018	3,834	3,207	3,614
Other noncurrent assets	36	504	416	104	104	89
<b>Current assets</b>	<b>6,871</b>	<b>8,782</b>	<b>10,595</b>	<b>9,089</b>	<b>12,560</b>	<b>15,615</b>
Cash	1,188	1,823	3,141	2,105	4,827	6,907
Loans & advances	1,396	827	1,031	808	1,042	1,175
Other	4,287	6,132	6,422	6,176	6,691	7,534
Current liabilities	7,326	9,232	9,782	10,014	10,219	11,516
<b>Net current assets</b>	<b>(454)</b>	<b>(450)</b>	<b>813</b>	<b>(925)</b>	<b>2,341</b>	<b>4,099</b>
Misc. exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>16,444</b>	<b>20,782</b>	<b>23,767</b>	<b>25,271</b>	<b>29,274</b>	<b>32,604</b>

Note: \* (MM + MVML)

**Cash flow statement**

Y/E March (₹ cr)	FY2012	FY2013*	FY2014*	FY2015*	FY2016E*	FY2017E*
Profit before tax	3,472	4,785	4,576	4,021	4,929	5,751
Depreciation	576	583	984	1,015	1,194	1,320
Change in working capital	(484)	1,747	55	697	(544)	322
Others	479	(121)	(593)	(373)	809	(166)
Other income	(580)	-				
Direct taxes paid	(727)	(1,241)	(724)	(934)	(1,225)	(1,380)
<b>Cash Flow from Operations</b>	<b>2,735</b>	<b>5,753</b>	<b>4,299</b>	<b>4,427</b>	<b>5,162</b>	<b>5,847</b>
(Inc.)/Dec. in fixed assets	(1,915)	(1,441)	(2,292)	(2,040)	(1,357)	(1,500)
(Inc.)/Dec. in investments	(1,372)	(1,420)	430	(1,714)	(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>(3,754)</b>	<b>(2,557)</b>	<b>(2,500)</b>
Issue of equity	24	-				
Inc./(Dec.) in loans	853	67	156	(1,270)	1,270	-
Dividend paid (Incl. Tax)	803	(894)	(966)	(966)	(1,153)	(1,268)
Others	(1,135)	(1,533)				
<b>Cash Flow from Financing</b>	<b>545</b>	<b>(2,360)</b>	<b>(810)</b>	<b>(2,235)</b>	<b>117</b>	<b>(1,268)</b>
Inc./(Dec.) in cash	574	532	1,626	(1,563)	2,722	2,079
<b>Opening Cash balances</b>	<b>615</b>	<b>1,291</b>	<b>1,823</b>	<b>3,141</b>	<b>2,105</b>	<b>4,827</b>
<b>Closing Cash balances</b>	<b>1,188</b>	<b>1,823</b>	<b>3,141</b>	<b>2,105</b>	<b>4,827</b>	<b>6,907</b>

Note: \* (MM + MVML)

### Key ratios

Y/E March	FY2012	FY2013*	FY2014*	FY2015*	FY2016E*	FY2017E*
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	32.0	24.1	21.9	25.2	23.3	19.7
P/CEPS	27.5	19.5	17.5	19.1	17.6	15.1
P/BV	7.9	5.7	5.0	4.4	3.9	3.4
Dividend yield (%)	0.9	0.9	1.0	1.0	1.2	1.3
EV/Sales	2.7	2.3	2.2	2.3	2.1	1.8
EV/EBITDA	23.1	16.4	16.2	18.4	15.2	13.0
EV / Total Assets	5.3	4.2	3.6	3.3	2.9	2.5
<b>Per Share Data (₹)</b>						
EPS (Basic)	45.3	57.7	63.4	55.1	59.6	70.4
EPS (fully diluted)	43.4	57.7	63.4	55.1	59.6	70.4
Cash EPS	50.5	71.0	79.3	72.8	78.9	91.6
DPS	12.0	13.0	14.0	13.9	16.0	17.6
Book Value	175.4	244.0	280.3	319.0	360.1	410.0
<b>Dupont Analysis</b>						
EBIT margin	13.0	13.2	12.7	11.5	13.0	13.4
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	1.8
ROIC (Post-tax)	20.5	20.0	20.2	14.7	16.1	17.9
Cost of Debt (Post Tax)	2.1	5.3	7.1	7.9	5.3	5.5
Leverage (x)	(0.6)	(0.6)	(0.5)	(0.6)	(0.6)	(0.7)
Operating ROE	9.4	11.6	13.1	10.8	9.3	9.6
<b>Returns (%)</b>						
ROCE (Pre-tax)	24.8	24.4	20.8	17.1	17.9	18.6
Angel ROIC (Pre-tax)	17.7	26.8	23.9	18.7	21.4	23.6
ROE	28.1	23.7	22.6	17.3	16.6	17.2
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	4.2	3.4	3.0	2.7	2.4	2.5
Inventory / Sales (days)	22	29	30	27	28	28
Receivables (days)	20	21	24	25	25	25
Payables (days)	63	79	81	86	81	81
WC cycle (ex-cash) (days)	(21)	(28)	(28)	(33)	(28)	(28)
<b>Solvency ratios (x)</b>						
Net debt to equity	(0.7)	(0.6)	(0.5)	(0.6)	(0.6)	(0.7)
Net debt to EBITDA	(2.1)	(1.6)	(1.8)	(2.4)	(2.5)	(2.7)
Interest Coverage (EBIT / Int.)	41.9	17.1	13.7	14.2	17.4	19.6

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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