

# Mahindra and Mahindra



**Current Price: 1061.30(as of 08/05/2014)**

**52 week High/Low : 1183.9/740.15**

**Target Price : 1300**

## Industry Overview

Despite excise duty benefits being passed on by manufacturers, volumes remained weak. In the run up to the formation of the next government, the industry remains cautious and watchful in anticipation of progressive policy interventions to energise the Indian automotive sector. Domestic passenger vehicle sales continue to remain under stress given the weak consumer sentiment. However, we continue to remain bullish on the tractor and 2W stocks, which are the direct beneficiaries of the rural consumption. On the CV segment we would be keeping a close watch on demand led freight price increases.

## Company Overview

M&M UV segment is expected to outgrow passenger vehicle industry growth of 8-10% in FY15, driven by increasing acceptance of compact SUVs by car buyers. M&M's own two compact SUVs on track for 1H CY15 launch, along one SCV. UV segment is expected to grow PV industry growth of 8-10% in FY15, driven by increasing acceptance of compact SUVs by car buyers. M&M plans to launch 3 new UV platforms in 1H CY15 to address gaps in its product portfolio, two of which would be compact SUVs (two different platforms, addressing both urban and rural consumer), while the third be a SCV product. Also, it plans to launch two major refreshes in FY15. It has guided for 8-10% growth in tractor volumes for FY15 based on normal monsoon. However, unseasonal rains in March 2014 pose threat. While increasing probability of El Nino might also be an important factor, but anecdotal evidence suggests that tractor volumes might not be impacted by just 1 year of below normal monsoon. We believe that FY15 performance would be impacted by adverse product lifecycle for UVs in period where competitive intensity is increasing. The stock trades at 12.1x/9.7x FY15E/FY16E consolidated EPS. Despite excise duty benefits being passed on by manufacturers, volumes remained weak. In the run up to the formation of the next government, the industry remains cautious and watchful in anticipation of progressive policy interventions to energise the Indian automotive sector. Domestic passenger vehicle sales continue to remain under stress given the weak consumer sentiment. However, we continue to remain bullish on the tractor and 2W stocks, which are the direct beneficiaries of the rural consumption.

## Key Ratio's

	<b>FY13</b>	<b>FY14</b>	<b>FY15(e)</b>
<b>EPS</b>	60.80	62.70	66.40
<b>P/E</b>	15.87	16.10	15.20
<b>ROE (%)</b>	19.10	20.80	18.80
<b>ROA (%)</b>	20.80	21.90	21.20
<b>P/BV</b>	3.10	3.40	2.90

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## Peer Comparison

Name	Market Cap (Rs. Cr.)	Sales Turnover	Net Profit	Total Assets	P/E	D/E	EPS	Market Cap/ Sales Turnover
<b>M&amp;M</b>	<b>70,846.10</b>	<b>40,441.16</b>	<b>3,352.82</b>	<b>17,885.99</b>	<b>18.92</b>	<b>10.93</b>	<b>60.90</b>	<b>1.74</b>
Maruti Suzuki	65,527.21	43,700.63	2,783.05	19,968.10	23.53	9.20	92.13	1.50
Hind Motors	189.39	722.89	-71.2	40.11		0.78		0.26

**Conclusion:** Buy with target price of Rs. 1300

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