

1 February 2011

## Mahindra & Mahindra

Jan'11 – Robust performance across segments; Buy

Rating: Buy

Target Price: ₹899

Share Price: ₹705

M&M's Jan'11 volume growth was above expectations, at 21.7% yoy (and 13.5% mom) to 57,217 units. Growth in all segments was strong.

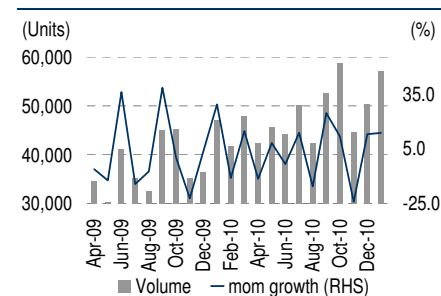
- **Passenger UV growth stronger in exports.** M&M's domestic passenger UV sales grew 11.4% yoy (9.4% mom), while exports showed a strong 47.5% yoy growth (13% mom). Both Domestic and Exports growth rates were better than expected.
- **Continued strength in tractor volumes.** The easing of capacity constraints in tractors at the vendors' end continued this month as well. In Jan, tractor volume growth was a healthy 21.4% yoy (and 25.5% mom). YTD tractor growth has also been robust, at 20.9% yoy.
- **Good yoy growth in four-wheeler pick-ups.** Four-wheeler pick-up volumes grew 17.5% yoy (0.3% mom) in Jan '11, while the YTD FY11 growth was 45.9%.
- **Three-wheeler volumes increased 36.8% yoy (4.2% mom) and YTD 39%.**
- **Valuation and risks.** We are positive on M&M and retain our Buy. Our volume growth estimate for UVs and tractors is 16% and 14% respectively. Our SOTP-target is ₹899. Key risks: higher interest rates and negative surprises from overseas acquisitions.

### Volume data – Dec'10 (units)

Year-end 31 March	Jan-11	yoy chg (%)	mom chg (%)	ytd FY11	yoy chg (%)
Passenger UVs	17,801	14.1	9.7	152,308	16.1
Three-wheelers	6,177	36.8	4.2	50,648	39.0
Four-wheeler pick-ups	10,193	17.5	0.3	84,165	45.9
Tractors	20,499	21.4	25.5	174,764	20.9
<b>Total M&amp;M vehicles</b>	<b>54,670</b>	<b>19.7</b>	<b>12.4</b>	<b>461,885</b>	<b>24.9</b>
Logan	1,427	78.2	59.3	9,744	79.0
LCV	1,120	101.8	30.8	9,298	16.4
<b>Total volumes</b>	<b>57,217</b>	<b>21.7</b>	<b>13.5</b>	<b>480,927</b>	<b>25.5</b>
UVs (as a % of M&M sales)	32.6	-160 bps	-79 bps	33.0	-249 bps
Tractors (as a % of M&M sales)	37.5	54 bps	392 bps	37.8	-125 bps

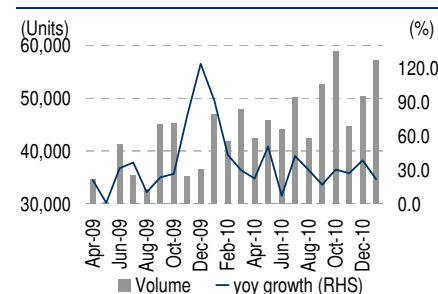
Source: Company

### M-o-M volume growth trend



Source: Company

### Y-o-Y volume growth trend



Source: Company

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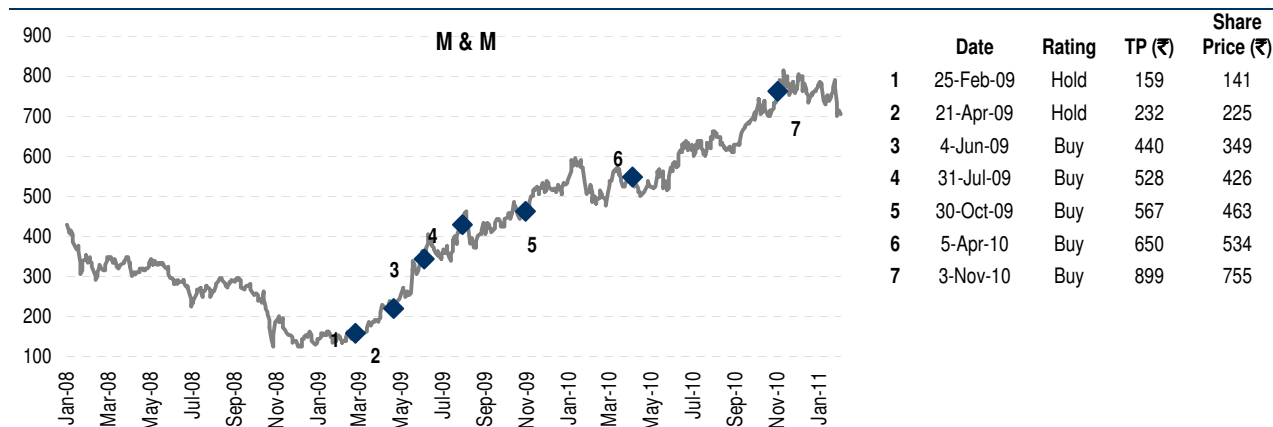
## Appendix 1

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