

Mahindra & Mahindra Ltd.

May 20, 2014

CMP : ₹ 1099.60

Target : ₹ 1300

BSE Code : 500520
NSE Code : M&M

Company Overview

Founded in 1945 as a steel trading company, over the years the company has diversified into many new businesses and now Mahindra & Mahindra (M&M) is \$16.7 billion multinational group with more than 180,000 employees in over 100 countries across the globe. The company's operations span 18 key industries that form the foundation of every modern economy. It operates in automotive, farm equipment, information technology, financial services, steel trading, infrastructure, hospitality, Systech and other segments.

Investment Rationale

- The company management is guiding for 8-10% growth in tractor industry in FY15. Its new Zaheerabad (Andhra Pradesh) facility is producing 100 tractors per day with benefits also flowing in from the facility's timely commissioning.
- M&M is looking to launch 3 new platforms from CY15 beginning, including 2 platforms for subcompact UV platforms and one for the commercial segment.
- Mahindra & Mahindra is turning to give a big push to the SUV portfolio of its South Korean subsidiary Ssangyong. The duo is currently working on three new engines, to power its new range of sports utility vehicles. M&M has maintained its capex guidance of Rs 75bn over three years and further Rs 25bn in investments in subsidiaries.
- The company's agri division signed a joint venture agreement with HZPC, Holland (one of the leading innovative companies in the world in potato breeding, seed potato growing and seed potato trading) to offer the best quality seed potatoes to farmers within and outside India.

Outlook

The key value driver of M&M will be the new launches where the company is expected to launch 3 products in CY15 (2 SUVs and 1 CV) and an XUV 500 hybrid. M&M's two wheeler segment will launch a new scooter in Q1FY15, which is expected to generate incremental sales for the company. Quanto with AMT (automated manual transmission) will also be launched within six months. The company is also planning to launch new products to cater the farm equipment sectors. It plans to double it in two years from Rs 250 crore now. The overall stance on M&M is highly optimistic with new take-offs and under controlled inventory levels.

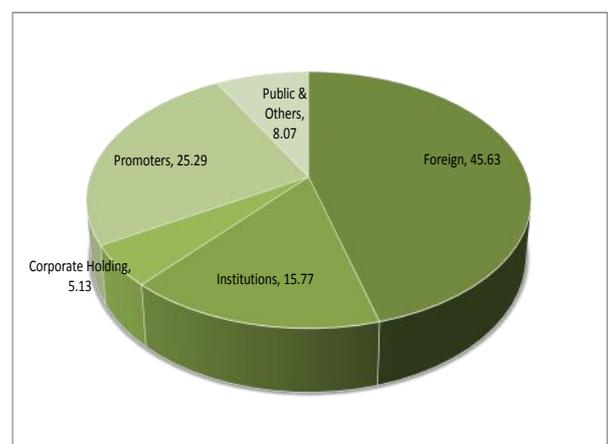
Key Data

Market Cap (₹Cr)	67722
Equity Cap (₹Cr.)	307.94
Face Value	5
Book Value	238.05
EPS (₹)	59.47
Dividend Yield (%)	1.17
Price / BV (x)	3.41
P/E (x)	18.57
Free Float (%)	74.71
Avg. Weekly Volume	191467
52 Week High-Low	1183.9/740.15

Key Triggers

- *New launches in the next few months is the major trigger in the company.*
- *The company is expected to launch 3 products in CY15 (2 SUVs and 1 CV) and an XUV 500 hybrid. M&M's two wheeler segment will launch a new scooter in Q1FY15.*
- *The company management is guiding for 8-10% growth in tractor industry in FY15.*

Shareholding Pattern



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