**Key Highlights:**

- The company pegged tractor industry growth rate at 10-12% yoy in FY2019E, which implies flattish volume growth in 4QFY19. Dealer inventory levels for the company in the tractor segment are at 4-5 weeks.
- The company expects single-digit growth for the tractor industry in FY2020 given that the past three years have been pretty strong for the industry.
- Festive season dented sales in the passenger vehicle industry, which led to higher inventory across the industry. Dealer inventory levels are 4-5 weeks, down from 5-6 weeks earlier. Given the weak consumer sentiment, the company expects the PV industry to grow by 5% in FY2019.
- The company expects Marazzo, Alturas G4 and XUV300 to increase their UV volumes by 9,000 units per month, which might be slightly impacted by some cannibalization across the models. The company will launch a new range of gasoline and CNG engines over the next two years, which will increase its addressable market segment.
- The company highlighted that the cost of diesel engines will increase by less than Rs100,000 post BS-VI norms implementation. The company mentioned that first BS-VI compliant vehicle will be ready by mid-December 2019. By March 2020, all but one model will be BS-VI compliant.
- M&M is quite positive on electric vehicles and is looking to expand its manufacturing capacity to 70,000 units by March 2020E. The company will target fleet segment (already tied up with Ola for electric car fleet in Ola) and will also launch premium electric vehicles over the next three years.
- Reasonable valuations, single-digit growth expectations in tractor demand for FY2020, potential recovery in the SUV segment due to new launches and efforts to reduce losses in subsidiaries drive our BUY rating.
- We expect overall volume to grow at a CAGR of 7% over FY19-21E. We expect M&M’s EPS to grow by 13% CAGR over FY19-21E. SoTP-based fair value unchanged at Rs.1,000 based on 15X December 2020E EPS.

**Financials (Rs mn)***

<table>
<thead>
<tr>
<th>Financials</th>
<th>FY18</th>
<th>FY19E</th>
<th>FY20E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes</td>
<td>866,773</td>
<td>999,233</td>
<td>1,138,778</td>
</tr>
<tr>
<td>Sales</td>
<td>475,774</td>
<td>559,216</td>
<td>660,818</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>15.0</td>
<td>17.5</td>
<td>18.2</td>
</tr>
<tr>
<td>EBITDA</td>
<td>70,434</td>
<td>84,289</td>
<td>99,388</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>14.8%</td>
<td>15.1%</td>
<td>15.0%</td>
</tr>
<tr>
<td>PBT</td>
<td>66,152</td>
<td>79,153</td>
<td>91,939</td>
</tr>
<tr>
<td>Adjusted Net profit</td>
<td>43,197</td>
<td>53,240</td>
<td>63,438</td>
</tr>
<tr>
<td>Adjusted EPS (Rs)</td>
<td>38.0</td>
<td>46.8</td>
<td>55.7</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>22.2</td>
<td>23.2</td>
<td>19.0</td>
</tr>
<tr>
<td>E/P (x)</td>
<td>17.1</td>
<td>13.9</td>
<td>11.7</td>
</tr>
</tbody>
</table>

**M&M standalone + MVML**

<table>
<thead>
<tr>
<th>Financials</th>
<th>EPS (Rs/Share)</th>
<th>Multiple (X)</th>
<th>Per share (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>45.9**</td>
<td>15.0</td>
<td>688</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>319</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOTP - based value (round-off)</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Price Performance (3 Years)**

Source: Bloomberg

**Share Holding Pattern (%)**

Source: Bloomberg

---

This one pager on the company is extracted from last KIE update dated February 8, 2019 and it does not contain events beyond that date. We take no obligation to update the KIE recommendations. While source of all other information is taken from Kotak Institutional Equities, the price performance and shareholding pattern chart is inputted by Kotak PCG research team (with source as Bloomberg). It is advisable to read the full KIE report before taking any investment decision on the above company recommendation.
RATING SCALE (KOTAK SECURITIES – PRIVATE CLIENT RESEARCH) / KOTAK INSTITUTIONAL EQUITIES

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months
ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL – We expect the stock to deliver <-5% returns over the next 12 months
NR – Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE – We advise investor to subscribe to the IPO.
RS – Rating Suspended. Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA – Not Available or Not Applicable. The information is not available for display or is not applicable
NM – Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT RESEARCH)

Rusmik Oza  Head of Research
rusmik.oza@kotak.com +91 22 6218 6441

Arun Agarwal  Auto & Auto Ancillary
arun.agarwal@kotak.com +91 22 6218 6443

Amit Agarwal  Transportation, Paints, FMCG
agarwal.amit@kotak.com +91 22 6218 6439

Nipun Gupta  Information Tech, Midcap
nipun.gupta@kotak.com +91 22 6218 6433

Deval Shah  Research Associate
deval.shah@kotak.com +91 22 6218 6423

Sanjeev Zarbade  Cap. Goods & Cons. Durables
sanjeev.zarbade@kotak.com +91 22 6218 6424

Ruchir Khare  Cap. Goods & Cons. Durables
ruchir.khare@kotak.com +91 22 6218 6431

Jatin Damania  Metals & Mining, Midcap
jatin.damania@kotak.com +91 22 6218 6440

Cyndrella Carvalho  Pharmaceuticals
cynthia.carvalho@kotak.com +91 22 6218 6426

Ledo Padinjarathala  Research Associate
ledo.padinjarathala@kotak.com +91 22 6218 7021

Teena Virmani  Construction, Cement, Buildg Mat
teena.virmani@kotak.com +91 22 6218 6432

Sumit Pokharna  Oil and Gas, Information Tech
pokharna.sumit@kotak.com +91 22 6218 6438

Pankaj Kumar  Midcap
pankaj.kumar@kotak.com +91 22 6218 6434

Krishna Nain  M&A, Corporate actions
krishna.nain@kotak.com +91 22 6218 7907

K. Kathirvelu  Support Executive
k.kathirvelu@kotak.com +91 22 6218 6427

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT RESEARCH)

Shrikant Chouhan  Head of Technical
shrikant.chouhan@kotak.com +91 22 6218 5408

Amol Athawale  Technical Research Associate
amol.athawale@kotak.com +91 20 6620 3350 +91 22 62185499

Faisal Shaikh, FRM, CFTe  Research Associate
faisal.shaikh@kotak.com +91 22 62185498

Siddhesh Jain  Research Associate
siddhesh.jain@kotak.com

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT RESEARCH)

Sahaj Agrawal  Derivatives Research Associate
sahaj.agrawal@kotak.com +91 79 6607 2231

Malay Gandhi  Derivatives Research Associate
malay.gandhi@kotak.com +91 22 6218 6420

Prashanth Lalu  Derivatives Research Associate
prashanth.lalu@kotak.com +91 22 6218 5497

Prasenjit Biswas, CMT, CFTe  Derivatives Research Associate
prasenjit.biswas@kotak.com +91 33 6625 9810
Following analysts: Hitesh Goel / Nishit Jalan / Rishi Vora of Kotak Institutional Equities hereby certify that all of the views expressed in this report accurately reflect their personal views about the subject company or companies and its or their securities. They also certify that no part of their compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India’s largest brokerage and distribution house. Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and also Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advisory/warning/deficiency letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to clients as well as our prospects. This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. This does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should conduct their own investigations and take advice of the professionals referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock’s price movements alone, as opposed to a company’s fundamentals and as such, may not be a guide for future performance and trading volume, as opposed to focusing on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and/or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor, readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates or have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: No

We or our associates have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months: No

We or our associates have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months: No

We or our associates or have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: No

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and/or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor, readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

"A graph of daily closing prices of securities is available at [https://www.nseindia.com/ChartApp/install/charts/mainpage.jsp](https://www.nseindia.com/ChartApp/install/charts/mainpage.jsp) and [http://economictimes.indiatimes.com/markets/stocks/stock-quotes](http://economictimes.indiatimes.com/markets/stocks/stock-quotes). (Choose a company from the list on the browser and select the "three years" icon in the price chart)."

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com/www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137 (Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-AP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities market are subject to market risks, read all the related documents carefully before investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022-4285 8484, or Email: ks.compliance@kotak.com.

In case you require any clarification or have any concern, kindly write to us at below email ids:

- **Level 1:** For Trading related queries, contact our customer service at ‘service.securities@kotak.com’ and for demat account related queries contact us at ks.demat@kotak.com or call us on: Toll free numbers 18002099191 / 1860 266 9191
- **Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.
- **Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Mr. Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.
- **Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on 91- (022) 4285 8301.