

## Press Release

### M&M posts 7% Revenue Growth for the 9 months ended December 2008

**Mumbai, 31<sup>st</sup> January 2009:** The Board of Directors of Mahindra and Mahindra Limited today announced the unaudited financial results of the company for the third quarter ended 31<sup>st</sup> December 2008.

#### **Q3 F2009 – M&M Standalone results**

The Gross Revenues and Other Income of Mahindra & Mahindra Ltd. for the quarter ended 31<sup>st</sup> December 2008 is **Rs.2885.9 crores** as against Rs.3371.1 crores during the corresponding period last year – a decline of 14.4%. The Net Profit before tax from ordinary activities for the quarter after providing for an exchange loss on account of Rupee depreciation of Rs 181.9 crores (gain of Rs. 14.0 crores in Q3 last year) is **Rs. 2.9 crores** as against Rs.460.1 crores in Q3 last year. After providing for tax, the same is **Rs 1.2 crores** for the current Q3 as against Rs 405.2 crores in the same period last year.

In Q3 last year, there was a one-time exceptional profit of Rs.157.1 crores arising from certain changes in the holding structure of the company's forging entities. **Excluding the impact of the exchange loss and the exceptional profit, profit after tax during the quarter is Rs. 121.3 crores as against Rs. 238.8 crores in Q3 last year.**

The current quarter was extremely challenging for both auto and tractor industries. The after effects of runaway inflation of earlier months, paucity of retail finance, its high cost and lukewarm consumer sentiment in the wake of the global financial turbulence saw volumes decline in both the industries. The company sales of UVs, as compared to an industry decline of 35.5%, declined by 25.7% to 29184 nos. as compared to 39282 nos. sold in Q3 last year. The situation is the same for auto industry the world over. The company's tractor sales, in line with that of the industry, declined by 14.7% to 20686 nos. as against 24266 nos. in Q3 last year. The lower sales adversely affected the results of the quarter.

The lower profits during the quarter are also on account of an exchange loss of Rs.181.9 crores (Rs.120.1 crores net of tax) suffered by the company due to Rupee depreciation. This loss is mainly on account of cancellation of forward covers entered into by the company to hedge certain anticipated exports. In the wake of recessionary conditions globally the company exports witnessed a sharp fall in the quarter - Vehicle exports by 54.3% and that of tractors by 26.6% as compared to exports in Q3 Last year. The exchange loss also includes a notional loss on account of revaluation of the company's net foreign currency borrowings which loss will reverse should the rupee appreciate before the borrowings become due for repayment.

Despite the extremely challenging economic environment and drop in volumes, the company's Farm equipment sector with its continued focus on process and cost efficiencies had improved its PBIT before charge of exchange losses. Even after the charge for exchange losses, its PBIT for the current Q3 at Rs.121.4 crores is only 17.1% lower than Q3 last year.

#### **YTD F2009 - M&M Standalone results**

The Gross Revenues and other income of Mahindra & Mahindra Ltd. during the nine month period ended 31<sup>st</sup> December 2008 is **Rs.10253.5 crores** as against Rs. 9583.5 crores in the corresponding period last year – a growth of 7.0%. The Net Profit from ordinary activities after tax for the current period is **Rs. 356.4 crores** as against Rs. 882.3 crores in the corresponding period last year. Excluding the impact of the exchange loss and other special/ exceptional items, the profit after tax during the current nine month period is **Rs. 580.0 crores** against Rs. 651.5 crores in the same period last year.

The profits pertaining to an earlier period arising from the merger of a wholly owned subsidiary of the company, recognized in the nine month period have been reported as a special adjustment after ascertaining profit after tax from ordinary activities for the period.

#### **Q3 F2009 – Group Consolidated Results**

The Gross Revenues and Other Income for the quarter ended 31st December 2008 is **Rs.6354.0 (USD 1.3 billion)** as against Rs.6774.1 crores (USD 1.4 billion) in Q3 last year – a decline of 6.2%. The Consolidated profit after tax for Q3 after deducting minority interests is **Rs.26.7 crores (USD 5.5 million)** as against Rs.402.9 crores (USD 83.0 million) earned in Q3 previous year.

The Group comprised of 96 subsidiaries, 4 Joint Ventures and 11 Associates as on 31<sup>st</sup> December 2008. In the current quarter some of the major group companies had a significantly improved performance over the previous year. The performance of Punjab Tractors with a 38% growth in profits and of Tech Mahindra with a 12% profit growth, deserve special mention.

#### **YTD F2009 – Group Consolidated Results**

The Gross Revenues and Other Income for the nine month period ended 31<sup>st</sup> December 2008 grew by 13.2% to **Rs.21652.8 crores (USD 4.5 billion)** from Rs.19134.8 crores (USD 3.9 billion) in last year. The Consolidated profit after tax for the period ended December,2008 after deducting minority interests is **Rs.809.5 crores (USD 166.8 million)** as against Rs.1095.1 crores (USD 225.7 million) earned in the previous year.

#### **Outlook:**

The global economic meltdown has had a severe impact on the Indian economy in the current quarter. Both exports and domestic demand have been badly hit; overall industrial production witnessed a contraction in October and was almost stagnant in November and the services sector registered one of its weakest

performances. On the brighter side however, cheaper oil prices and lower inflation have just about started reflecting as lower input costs and lower interest rates. The slew of policy measures taken by the RBI in the recent months should soon loosen the liquidity crunch. Given its continuous focus on quality, cost efficiencies, process innovations and new product introductions, the company is well-positioned to take full advantage of the recovery, as and when it happens.

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**Note:** Translation of INR to USD is a convenience translation done at the exchange rate prevailing on 31<sup>st</sup> December 2008.