Consolidated PAT up by 252%

Auto

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Mumbai, 5th February 2021: The Board of Directors of Mahindra & Mahindra Limited today announced the financial results for the quarter ended 31st December 2020 of the Company and the consolidated Mahindra Group.

Consolidated PAT (after EI & NCI) for Q3F21 was Rs 704 crores, an increase of 252% from the prior year. The key drivers were capital allocation actions, a 220 bps increase in standalone* operating margins on the back of a 20% growth in tractor volumes and a 12% revenue increase in the Auto business.

Capital allocation actions were targeted at loss-making subsidiaries, these actions have made a significant contribution to the financial performance. They include turnaround of businesses, restructuring to achieve profitability and exit from multiple businesses.

The increase in operating margins was driven by cost optimization and operating leverage. Tractor volumes grew by 19.6% on the back of a robust

rural story. We expect strong demand to continue.

Demand for Auto continues to be strong. The UV business grew 11% though production was lower than demand due to ECU and steel shortage.

The key results are as follows:

Key highlights of Q3 performance were:

- Capital allocation decisions have resulted in an improved financial performance.
- Domestic tractor volume was 97,420, which is the highest ever quarterly volume.
- Highest ever quarterly PBT and ROCE for Farm, driven by a 400 bps yoy increase in margins.
- Farm Int'l subsidiaries recorded a break-even PBIT for the second consecutive quarter.
- Management of working capital, which is negative for both Auto and Farm sectors.
- Thar: cumulative bookings crossed 38,500 mark on 1st February 2021 with 6,000+ new bookings in January 2021.
- Resilient margins for Auto, despite supply issues.
- Tech Mahindra saw significant improvement in profitability leading to strong EBITDA margins and a consistent cashflow conversion for the quarter. Deal wins have normalized to pre-COVID levels.

- Mahindra Logistics reported record quarterly revenues (15% YoY) driven by demand for integrated solutions from E-commerce, Consumer & Freight Forwarding.

Areas of concern were:

- Supply issues: Shortage of semi-conductors impacted availability of ECUs, due to a high dependence on one supplier.
- Steep increase in commodity prices, partially offset by a sales prices increase and value engineering actions.

Additional information:

- SYMC filed an application before the Bankruptcy Court for commencement of rehabilitation proceedings on 21st December 2020. It is now preparing and plans to submit a pre-packaged rehabilitation plan ("p-plan") with equity investment from an investor and debt from local lenders. There is no increase in M&M exposure as compared to Q2 FY21.
- Mahindra Finance has taken a conservative approach with very limited restructuring and a higher provisioning due to "earn and pay" borrowers. While the overall customer cashflows have shown improvement, it is yet to return to pre-COVID levels.

Industry & Outlook:

Growth momentum for the tractor industry was supported by positive sentiment in rural parts of the country, specifically the agri economy which is driven by (i) Very good monsoon (ii) Healthy reservoir levels (iii) record kharif

production (iv) good rabi sowing (v) Continued high Central Government spending in Agriculture and Rural Development. On the back of these positive factors, it is expected that tractor demand will remain robust during the coming quarter as well.

For Auto, with many key indicators showing positive momentum, calendar year 2021 has started with strong momentum. However, some significant challenges do exist especially on the supply side and commodity prices.

The RBI expects GDP growth to move into positive territory in the December quarter itself albeit at 0.1 per cent. Further, rising bank credit growth and infrastructure investment oriented government final consumption expenditure (GFCE), amplified by an out-and-out "growth Budget" will provide valuable counter-cyclical support to GDP growth. The IMF now also estimates India to grow 11.5 per cent in the next financial year before settling at 6.8 per cent in 2022-23 - making India the fastest-growing large economy in the world in both the years.

Note: Translation of rupee to dollar is a convenience translation at the average exchange rate for the twelve month period ended 31st December 2020.

About Mahindra

The Mahindra Group is a USD 19.4 billion federation of companies that enables people to rise through innovative mobility solutions, driving rural

prosperity, enhancing urban living, nurturing new businesses and fostering communities. It enjoys a leadership position in utility vehicles, information technology, financial services and vacation ownership in India and is the world's largest tractor company by volume. It also enjoys a strong presence in renewable energy, agribusiness, logistics and real estate development. Headquartered in India, Mahindra employs over 2,56,000 people across 100 countries.

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