Q2 M&M + MVML Revenue at Rs.11,590 crores up by 6%

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Q2 M&M + MVML OPM at 17.8%

Mumbai, 10th November 2020: The Board of Directors of Mahindra & Mahindra Limited today announced the financial results for the quarter ended 30th September 2020 of the Company and the consolidated Mahindra Group.

Q2 F2021 – M&M + MVML* Results

In Q2 F2021, the Indian Auto Industry including 2-wheeler was just 1.0% lower than the comparative quarter in the previous year. It is after six quarters that the industry has shown a flat performance with the PV industry growing 17.0% after eight consecutive quarters of de-growth. Within the PV segment, UVs have grown 21.2%. This growth is driven by good demand especially in semi-urban and rural parts of the country, pent up demand, preference for personal mobility, new launches and availability of affordable finance. As a result of positive outlook in the rural and agri

sectors, the Pick-Up segment (2-3.5T GVW) after six quarters of reduction has shown positive momentum, with a growth of 6.2% over the previous year with volumes almost at the pre-COVID levels of F2020.

With the overall economy yet to gain momentum and with excess capacity in the transportation ecosystem, the MHCV goods industry volumes stand at just 23,936 units, which is a de-growth of 40.5% over previous year. With partial reopening up of the economy in the months of May and June, and then subsequent relaxations allowed in the reopening phases, the economy at large is adapting to operating and living in a post-COVID era. The auto industry ecosystem including suppliers and dealers was quick to bounce back and operations now are near normal despite some isolated pockets of supply side constraints that still remain.

In Q2 F2021, the Indian tractor industry reported a growth of 41.4% which is the highest ever Q2 quarter growth for the tractor industry. Timely relaxation of the COVID lockdown restrictions for the Agricultural sector supported by healthy reservoir levels, a good increase in MSP for Kharif crops and important reforms in the agri sector announced by the government focused on improving the state of agriculture in India in the mid to long term have helped tractor demand to bounce back after April 2020. On the back of these positive factors, it is expected that tractor demand will remain robust during the upcoming festive season.

The Company unveiled the All-New Thar on 15th August 2020 and launched it on 2nd October 2020. The All-New Thar is a quantum leap in terms of performance, everyday comfort & convenience, technology and safety, staying true to its core promise of unmatched off-roading capability. It has found acceptance amongst a larger base of lifestyle seekers with an overwhelming response from the customers leading to bookings crossing the 20,000 mark.

The Company on the back of its strong performance in tractors combined with its ruthless focus on cost has achieved a very high OPM and the Profit after Tax (before EI) in Q2 F2021 is just 3% lower than Q2 F2020, despite a substantial fall in other income in the current quarter as compared to the previous year quarter. The exceptional items on account of impairments have led to a drop in the profit after tax in the current quarter as compared to the corresponding quarter in the previous year.

Outlook:

The real GDP growth in F2021 is expected to be negative at (-)9.5 per cent, as per RBI's latest estimates with risks tilted to the downside. However, economic activity, seen through the prism of high frequency indicators, seems to be stabilising after the unprecedented shock in Q1 wherein the GDP shrank 23.9 per cent year-on year. With government spending and rural demand anchoring economic activity, manufacturing and some categories of services have gradually recovered in Q2.

Proactive steps from the RBI have kept domestic financial conditions easy and system liquidity in surplus. Kharif sowing and the recent Agricultural Reforms portend well for the rural economy. However, the turnaround in urban demand may continue to lag especially the contact-intensive services sectors. Manufacturing capacity utilisation is expected to recover in Q3 and activity to gain some traction from Q4 onwards. However, CapEx and exports are likely to remain subdued.

Importantly, IMF estimate for global GDP growth for 2020 has been revised upwards slightly to -4.4% from - 5.2% (June 2020); and expected to be around +5.2% in 2021. As economies reopened and released constraints on spending, overall activity normalized faster than anticipated. GDP outruns for the second quarter surprised on the upside in China, US and Eurozone (economies contracted at a historic pace but less severely than projected). However, several countries are seeing a second wave and have re-imposed local lockdowns which may hurt economic activity.

Note: Translation of rupee to dollar is a convenience translation at the average exchange rate for the twelve month period ended 30th September 2020.

Tags :

Mahindra & Mahindra Manufacturers Ltd	All-New Thar	Agricultural Reforms	Mahindra Vehicle