

# Mahindra & Mahindra

BSE SENSEX 76,993 S&P CNX 23,466

**CMP: INR2,929 TP: INR3,310(+13%) Buy**



Bloomberg Equity Shares (m)	MM IN
M.Cap.(INRb)/(USD\$b)	1244
52-Week Range (INR)	3641.8 / 43.6
1, 6, 12 Rel. Per (%)	2946 / 1366
12M Avg Val (INR M)	23/61/87
Free float (%)	5425
	81.9

### Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	988	1,181	1,370
EBITDA	129.2	157.0	187.2
Adj. PAT	107.2	131.4	153.8
Adj. EPS (INR)	89.4	109.6	128.3
EPS Gr. (%)	35.0	22.6	17.0
BV/Sh. (INR)	436	522	624

### Ratios

RoE (%)	22.4	22.9	22.4
RoCE (%)	20.5	21.8	21.5
Payout (%)	24	21	20

### Valuations

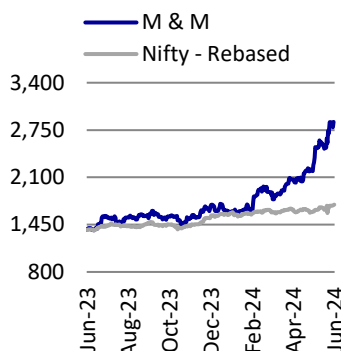
P/E (x)	32.8	26.7	22.8
P/BV (x)	6.7	5.6	4.7
Div. Yield (%)	0.7	0.8	0.9
FCF Yield (%)	1.8	3.1	3.7

### Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	18.1	18.9	18.9
DII	25.6	25.8	27.0
FII	46.8	45.9	44.5
Others	9.5	9.5	9.6

FII Includes depository receipts

### Stock Performance (1-year)



## Multiple growth levers in key business segments

To launch nine ICE SUVs, seven BEVs, and seven LCVs by 2030

We participated in Mahindra & Mahindra (MM)'s Group Investor Meet, where the management underscored its strategic focus of: i) capitalizing on market leadership in its core automotive and farm businesses, ii) unlocking the full potential of MM Finance and TechM, and iii) challenging itself to achieve approximately five-fold growth in its growth gems. In the automotive segment, management has set target to launch nine models in ICE and seven in EVs by 2030. In the FES segment, while it would continue to sustain its strong position in domestic market, it would also focus on ramping up presence in some of its key export markets post the launch of the new Oja range of tractors. Further, we expect M&M to continue to focus on prudent capital allocation going forward as well. Also, we raise our FY25E/26E earnings by 7% each to factor in the healthy response to its new model launches in automotive segment and initial signs of tractor demand revival for FY25. We estimate MM to clock a revenue / EBITDA / PAT CAGR of ~18%/20%/20% over FY24-26. We now value the tractor/auto businesses at 22x/20x Jun'26E EPS (from 20x/18x earlier). Its re-rating drivers include: 1) strong demand momentum in UVs 2) healthy long term growth opportunity in tractors 3) solid progress within growth gems which would emerge as future value unlocking drivers 4) continued prudent capital allocation with a clear focus on returns. Reiterate BUY with a revised TP of INR3,310 (based on June-26E SOTP).

## Automotive: Multiple growth levers ahead

- **In the automotive category, MM aims to-** i) retain its leadership in SUVs and LCVs, ii) maintain market momentum with 23 launches by 2030, iii) invest with capex of INR270b over FY25-27, and iv) generate better margins through operating leverage, cost-control measures, and pricing.
- **New product pipeline:** All ICE models will have EV versions. The company plans to launch nine ICE models and seven dedicated EVs by 2030, starting from August this year. By FY27-28, 20-30% of MM's vehicle mix is expected to be EVs, as per management.
- **Capacity expansion:** Its SUV production capacity is projected to increase from the current 49k units per month to ~64k units by FY25 and 72k units by FY26. The FY25 capacity includes an additional 5k units for SUVs (including models like Thar 5D, XUV3XO/400) and 10k units for EVs. By FY26E, additional 8k units per month of EV capacity will be added, resulting in more than 3.5x capacity expansion vs. FY20.
- **Exports:** MM is focusing on markets where it has a presence, such as Africa, with models like Scorpio and XUV700 holding 6% share in the body and frame market. XUV700 has had a successful start in Australia. Within 6-9 months, MM will enter LHD markets, starting with their current portfolio. MM intends to introduce new products to global markets (such as the UK), and anticipates to create a market within three years. Its global business is projected to surge 2.6x over FY22 in this timeframe.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **XUV3XO:** It is aiming to be among the top-2 ranked players in the compact SUV segment by the end of the year.
- **Not ruling out hybrid plan, but EVs would be a priority:** Management has indicated that they would continue to focus on EVs as a priority but may consider investing in hybrids if required.
- **LCV outlook:** The company is likely to launch seven LCVs by 2030. About 65% of LCV sales are rural. Despite weak rural sales last year, MM gained market share with new launches and a refreshed portfolio.

#### Farm Equipment: Strong growth opportunities in domestic and exports

- **The Indian tractor industry has significant headroom for growth:** The tractor industry in India has reported a 7.3% CAGR for the past 15 years. The industry requires a tractor population of 17m units (vs current population of 8mn units) based on an average requirement of 4HP per hectare. However, if the industry continues to grow at the historical rate of 7.3%, the tractor industry will be able to meet only 65% of the required tractors by FY30, which leaves a huge headroom for growth.
- **Exports:** MM's market share in global tractor volumes (ex-China) is 5% vis-à-vis its 41.6% market share in the domestic industry.
- **Entry into the competitive ASEAN market:** The ASEAN tractor market, predominantly dominated by Japanese players with a 90% market share, holds significant importance. The ASEAN market, where MM has spent considerable time on product development, is predominantly lightweight, with over 80% of the market being in this segment. MM initially refrained from entering due to a lack of product capabilities. However, with the introduction of OJA, MM has initiated its focus on this market, starting with Thailand. Initial feedback on the product has been positive. ASEAN's total market size is around 70-75k units per month, with Thailand alone constituting 50k units, while other countries contribute around 3-4k units each.
- **Western nations:** In the US, there is a preference for sub-100HP tractors, where MM has had a presence for 30 years. In Brazil, where MM entered the market 5-6 years ago, it holds a 5-6% market share. The EU presents a strong market preference for sub-80HP segments.
- **Agri implementation offers a huge opportunity:** Farm machinery as a percentage of total tractor sales in India is ~20% vis-à-vis 170% globally. India has 15 agricultural climatic zones that necessitate varied practices and cropping seasons. Cropping intensity has risen, with farmers now cultivating 2-3 crops simultaneously, leading to a demand for more efficient implements. MM holds a 21% market share in rotavators. In the rice transplanter segment, the Indian market comprises just ~3k units annually, while China's market stands at 100k units per year. MM commands a 40% market share in this segment. Though challenging, once people realize the benefits, there's potential for huge demand in the long run.

#### Last mile mobility: Robust growth potential ahead

- **The rate of EV adoption in 3W EVs has surged significantly:** In the first quarter of FY24, 3W EV (L5) penetration stood at 9%, which has since doubled to 18%. LMM has reported ~4x EV growth over FY22-24 led by its extensive and innovative product portfolio covering all last mile applications.
- **EVs offer higher TCO benefits** in terms of INR/km vs. CNG by 28% and diesel by 46%.

- **Large market opportunity:** EV volumes, including 3Ws and 4Ws for the last mile, are likely to reach industry size of 1,077k units in FY30 from ~633k in 2024. Regions where OEMs have commenced launching EV models have witnessed penetration rates climbing from single digits to low double digits within a year.
- Battery manufacturing, including Battery Management Systems (BMS), is handled in-house.

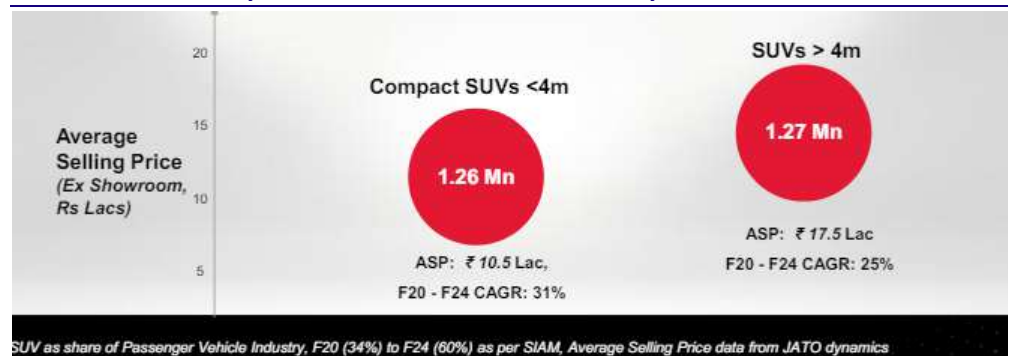
**Others**

- Earlier, MM has identified nine businesses as its growth gems and set an ambitious target of achieving 5x growth in five years for each of these segments, which include Mahindra Lifespace, Mahindra Holidays, Mahindra Logistics, and the recent addition of Mahindra Last Mile Mobility. The cumulative market cap of growth gems was USD4.2b in FY24, which jumped from USD1b in FY20.

**Valuation & view**

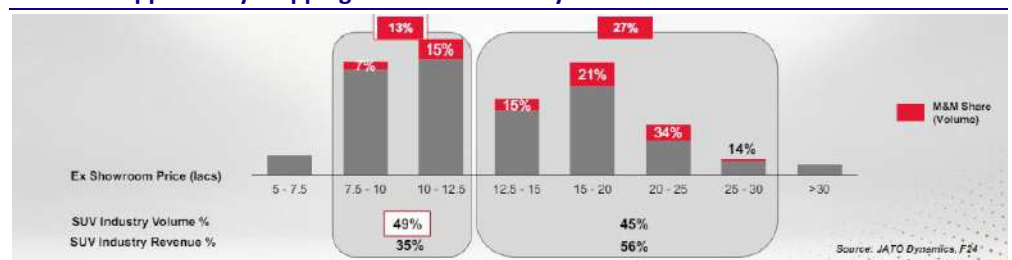
- Over the past 3-4 years, MM has not only demonstrated strong performance improvement in its key segments but has also prioritized prudent capital allocation practices. We expect M&M to continue to focus on prudent capital allocation going forward as well.
- Further, we raise our FY25E/26E earnings by 7% each to factor in the healthy response to its new model launches in automotive segment and initial signs of tractor demand revival for FY25. We estimate MM to clock a revenue / EBITDA / PAT CAGR of ~18%/20%/20% over FY24-26.
- We now value the tractor/auto businesses at 22x/20x Jun'26E EPS (from 20x/18x earlier). Its re-rating drivers include: 1) strong demand momentum in UVs 2) healthy long term growth opportunity in tractors 3) solid progress within growth gems which would emerge as future value unlocking drivers 4) continued prudent capital allocation with a clear focus on returns. **Reiterate BUY with a revised TP of INR3,310 (based on June-26E SOTP).**

**Exhibit 1: SUV industry contributed ~60% mix of PV industry in FY24 vs. 34% in FY20**



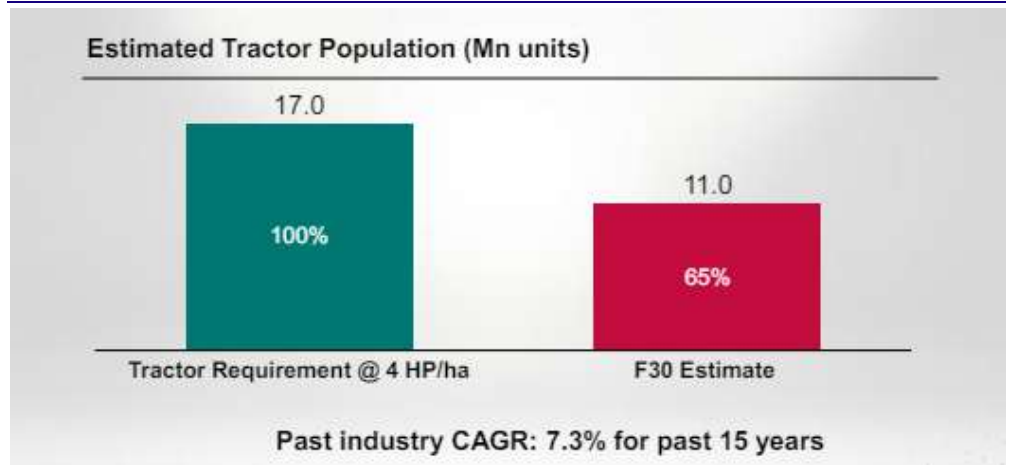
Source: Company, MOFSL

**Exhibit 2: Opportunity mapping in the SUV industry**



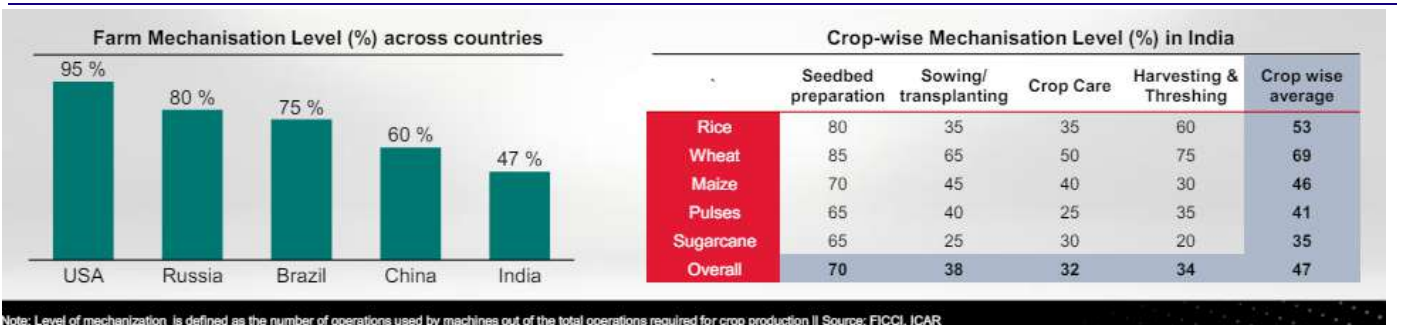
Source: Company, MOFSL

Exhibit 3: Indian tractor industry has significant headroom to grow



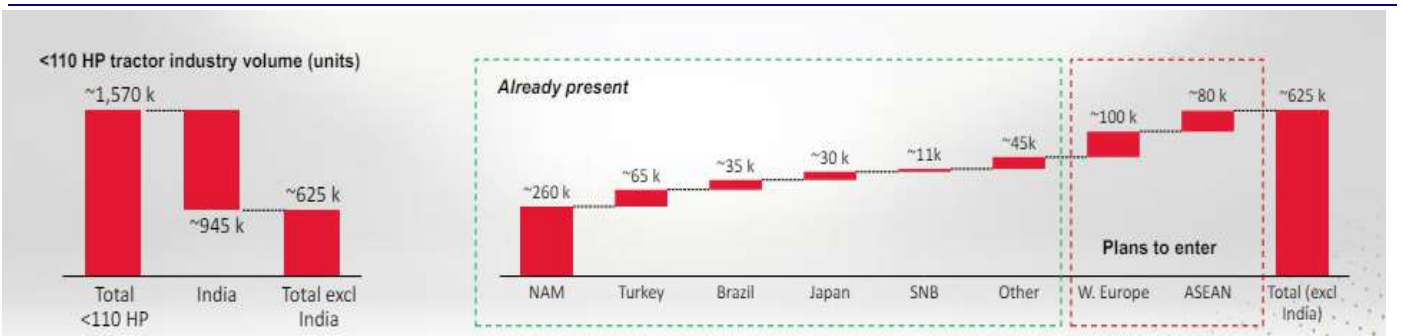
Source: Company, MOFSL

Exhibit 4: Indian farm mechanization story yet to fully play out



Source: Company, MOFSL

Exhibit 5: MM already has a presence in the large >110HP markets globally



Source: Company, MOFSL

Exhibit 6: MM – Extensive and innovative product portfolio covering all last mile applications



Source: Company, MOFSL



Exhibit 7: Growth Gems - 5x growth challenge



Source: Company, MOFSL

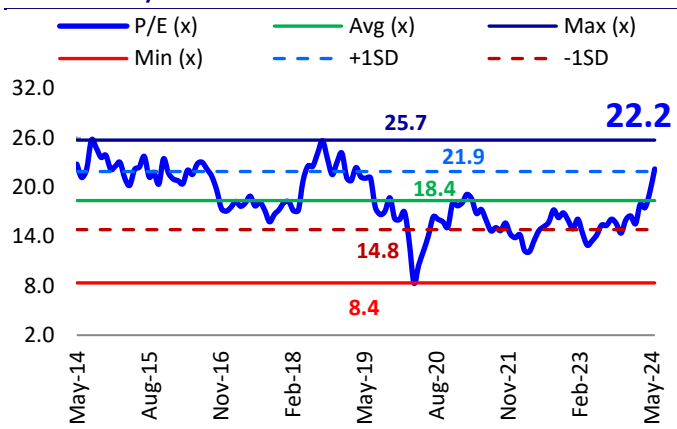
Exhibit 8: Our revised forecasts (INR b)

	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	1,371	1,348	1.7	1,522	1,477	3.0
Net Sales	1,181	1,159	1.9	1,370	1,344	2.0
<b>EBITDA (%)</b>	<b>13.3</b>	<b>13.3</b>	<b>0bp</b>	<b>13.7</b>	<b>13.8</b>	<b>-10bp</b>
Net Profit	131	123	7.2	154	144	6.7
<b>EPS (INR)</b>	<b>109.6</b>	<b>102.2</b>	<b>7.2</b>	<b>128.3</b>	<b>120.2</b>	<b>6.7</b>

Exhibit 9: M&M SOTP

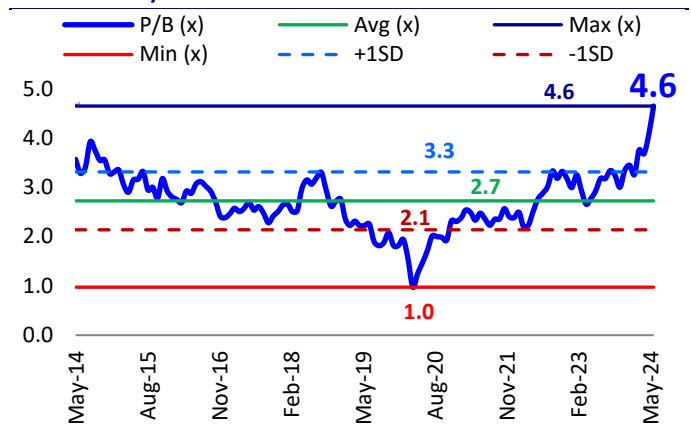
(INR/sh)	Target P/E (x)	FY25E	FY26E
Tractors	22	703	817
Autos	20	1064	1323
Value of ePV business (50% HoldCo discount)		587	587
<b>Value of Core Business</b>		<b>2314</b>	<b>2727</b>
Value of subs post hold-co discount	20%	482	482
- Tech Mahindra	284	241	241
- MMFSL	161	137	137
- Mah. Lifespaces	13	35	35
- Mah. Holidays	31	41	41
- Mah. Logistics	15	12	12
- Others	22	16	16
<b>Fair Value (INR/sh)</b>		<b>2836</b>	<b>3208</b>

Exhibit 10: P/E bands



Sources: MOFSL

Exhibit 11: P/B bands



Sources: MOFSL

## Financials and valuations

S/A Income Statement								(INR b)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
<b>Net Op. Income</b>	<b>528.5</b>	<b>448.7</b>	<b>444.7</b>	<b>577.9</b>	<b>849.6</b>	<b>987.6</b>	<b>1,180.8</b>	<b>1,370.5</b>	
Change (%)	11.1	-15.1	-0.9	29.9	47.0	16.2	19.6	16.1	
<b>EBITDA</b>	<b>75.3</b>	<b>63.5</b>	<b>68.0</b>	<b>70.3</b>	<b>104.4</b>	<b>129.2</b>	<b>157.0</b>	<b>187.2</b>	
Margins (%)	14.2	14.2	15.3	12.2	12.3	13.1	13.3	13.7	
Depreciation	20.0	23.6	23.7	25.0	31.5	34.4	36.9	41.0	
<b>EBIT</b>	<b>55.3</b>	<b>39.9</b>	<b>44.3</b>	<b>45.3</b>	<b>72.9</b>	<b>94.8</b>	<b>120.1</b>	<b>146.2</b>	
Int. & Finance Charges	1.5	1.2	4.0	2.3	2.7	1.4	1.3	1.1	
Other Income	16.3	15.4	12.0	20.5	25.5	41.4	46.5	48.4	
Non-recurring Income	3.7	-28.1	-29.3	-2.1	-14.3	0.0	0.0	0.0	
<b>Profit before Tax</b>	<b>73.8</b>	<b>25.9</b>	<b>23.0</b>	<b>61.5</b>	<b>81.3</b>	<b>134.8</b>	<b>165.3</b>	<b>193.5</b>	
Eff. Tax Rate (%)	26.8	71.5	57.3	20.8	19.5	20.5	20.5	20.5	
<b>Profit after Tax</b>	<b>54.0</b>	<b>7.4</b>	<b>9.8</b>	<b>48.7</b>	<b>65.5</b>	<b>107.2</b>	<b>131.4</b>	<b>153.8</b>	
<b>Adj. Profit after Tax</b>	<b>51.3</b>	<b>35.8</b>	<b>40.7</b>	<b>51.2</b>	<b>79.3</b>	<b>107.2</b>	<b>131.4</b>	<b>153.8</b>	
Change (%)	18.7	-30.3	13.8	25.8	54.9	35.1	22.6	17.0	

Balance Sheet								(INR b)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	
Sources of Funds									
Share Capital	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
Reserves	344.0	340.3	343.5	376.0	427.6	516.8	620.1	742.9	
<b>Net Worth</b>	<b>349.9</b>	<b>346.3</b>	<b>349.5</b>	<b>382.0</b>	<b>433.6</b>	<b>522.8</b>	<b>626.1</b>	<b>748.9</b>	
Deferred tax	7.9	15.1	14.5	17.6	14.7	15.6	15.6	15.6	
Loans	26.8	31.5	77.9	67.4	50.3	20.4	15.4	15.4	
<b>Capital Employed</b>	<b>384.6</b>	<b>392.9</b>	<b>441.9</b>	<b>467.0</b>	<b>498.5</b>	<b>558.7</b>	<b>657.0</b>	<b>779.8</b>	
Gross Fixed Assets	242.3	266.4	288.3	315.8	362.2	402.1	467.1	532.1	
Less: Depreciation	123.7	145.9	168.2	166.7	192.4	226.8	263.7	304.7	
<b>Net Fixed Assets</b>	<b>118.5</b>	<b>120.5</b>	<b>120.1</b>	<b>149.0</b>	<b>169.8</b>	<b>175.3</b>	<b>203.3</b>	<b>227.4</b>	
Capital WIP	26.4	48.6	61.3	52.6	27.8	37.6	37.6	37.6	
Investments	206.3	175.3	217.8	242.0	270.9	300.0	370.0	460.0	
<b>Curr. Assets, L &amp; Adv.</b>	<b>197.9</b>	<b>173.8</b>	<b>216.5</b>	<b>222.4</b>	<b>289.3</b>	<b>325.3</b>	<b>372.7</b>	<b>421.8</b>	
Inventory	47.6	40.4	47.8	59.7	88.8	95.0	116.5	135.2	
Inventory Days	32.9	32.9	39.3	37.7	38.2	35.1	36.0	36.0	
Sundry Debtors	38.1	29.0	22.0	30.4	40.4	45.5	56.2	65.2	
Debtor Days	26.3	23.6	18.1	19.2	17.4	16.8	17.4	17.4	
Cash & Bank Bal.	38.3	42.4	64.0	36.5	44.8	55.3	61.1	69.5	
Loans & Advances	8.6	6.5	19.3	49.3	51.8	71.5	80.9	93.9	
Others	65.3	55.5	63.3	46.5	63.5	58.1	58.1	58.1	
<b>Current Liab. &amp; Prov.</b>	<b>164.5</b>	<b>125.3</b>	<b>173.8</b>	<b>199.0</b>	<b>259.3</b>	<b>279.4</b>	<b>326.5</b>	<b>366.9</b>	
Sundry Creditors	103.6	72.0	106.4	129.7	171.5	185.9	226.5	262.8	
Creditor Days	71.6	58.6	87.3	81.9	73.7	68.7	70.0	70.0	
Other Liabilities	44.8	37.5	52.3	55.4	69.7	74.8	74.8	74.8	
Provisions	16.2	15.8	15.1	13.9	18.1	18.7	25.2	29.3	
<b>Net Current Assets</b>	<b>33.4</b>	<b>48.5</b>	<b>42.7</b>	<b>23.3</b>	<b>30.0</b>	<b>45.9</b>	<b>46.2</b>	<b>54.9</b>	
Working Capital	-4.9	6.1	-21.3	-13.2	-14.8	-9.4	-14.9	-14.6	
<b>Application of Funds</b>	<b>384.6</b>	<b>392.9</b>	<b>441.9</b>	<b>467.0</b>	<b>498.5</b>	<b>558.7</b>	<b>657.0</b>	<b>779.8</b>	

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Fully diluted EPS</b>	<b>43.0</b>	<b>30.0</b>	<b>34.1</b>	<b>42.8</b>	<b>66.2</b>	<b>89.4</b>	<b>109.6</b>	<b>128.3</b>
<b>FD EPS (incl MVML)</b>	<b>43.0</b>	<b>30.0</b>	<b>34.1</b>	<b>42.8</b>	<b>66.2</b>	<b>89.4</b>	<b>109.6</b>	<b>128.3</b>
Cash EPS	59.9	49.8	53.9	63.7	92.5	118.0	140.4	162.4
Book Value per Share	293.7	290.3	292.5	319.2	361.9	435.9	522.1	624.5
DPS	8.5	2.4	8.8	11.5	16.3	21.1	23.5	26.0
Div. Payout (%)	21.8	44.0	106.2	28.2	29.6	23.5	21.4	20.2
<b>Valuation (x)</b>								
P/E	68.0	97.6	85.9	68.4	44.2	32.8	26.7	22.8
Cash P/E	48.9	58.8	54.3	46.0	31.6	24.8	20.8	18.0
EV/EBITDA	45.8	54.4	51.0	47.9	31.8	25.3	20.7	17.1
EV/Sales	6.5	7.7	7.8	5.8	3.9	3.3	2.8	2.3
Price to Book Value	10.0	10.1	10.0	9.2	8.1	6.7	5.6	4.7
Dividend Yield (%)	0.3	0.1	0.3	0.4	0.6	0.7	0.8	0.9
<b>Profitability Ratios (%)</b>								
RoE	15.7	10.3	11.7	14.0	19.5	22.4	22.9	22.4
RoCE	14.1	9.3	10.1	11.6	17.0	20.5	21.8	21.5
RoIC	39.9	21.8	29.4	30.8	41.8	47.0	53.9	57.9
<b>Turnover Ratios</b>								
Debtors (Days)	26.3	23.6	18.1	19.2	17.4	16.8	17.4	17.4
Inventory (Days)	32.9	32.9	39.3	37.7	38.2	35.1	36.0	36.0
Creditors (Days)	71.6	58.6	87.3	81.9	73.7	68.7	70.0	70.0
Core. Work. Cap (Days)	-12.3	-2.1	-30.0	-25.0	-18.1	-16.8	-16.6	-16.6
Asset Turnover (x)	1.4	1.1	1.0	1.2	1.7	1.8	1.8	1.8
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.4	-0.4	-0.5	-0.4	-0.4

E: MOFSL Estimates

### Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	70.1	54.0	53.9	63.6	95.6	134.8	120.1	146.2
Int./Dividends Received	-12.3	-12.9	-9.5	-18.2	-20.5	-25.2	46.5	48.4
Depreciation & Amort.	20.0	23.6	23.7	25.0	31.5	34.4	36.9	41.0
Direct Taxes Paid	-17.0	-12.0	-11.4	-6.0	-19.4	-28.5	-33.9	-39.7
(Inc)/Dec in Wkg. Capital	-6.7	-15.0	35.9	3.9	3.9	8.7	5.5	-0.3
Other Items	-0.2	1.7	3.3	1.5	0.1	-11.4	0.0	0.0
<b>CF from Oper. Activity</b>	<b>53.9</b>	<b>39.5</b>	<b>95.9</b>	<b>69.8</b>	<b>91.3</b>	<b>112.8</b>	<b>175.2</b>	<b>195.6</b>
(Inc)/Dec in FA+CWIP	-32.2	-45.4	-33.1	-32.9	-34.3	-48.3	-65.0	-65.0
<b>Free Cash Flow</b>	<b>21.8</b>	<b>-6.0</b>	<b>62.8</b>	<b>36.9</b>	<b>57.0</b>	<b>64.5</b>	<b>110.2</b>	<b>130.6</b>
(Pur)/Sale of Invest.	4.4	16.4	-112.2	-6.7	-13.2	-3.5	-70.0	-90.0
<b>CF from Inv. Activity</b>	<b>-27.7</b>	<b>-29.0</b>	<b>-145.6</b>	<b>-39.6</b>	<b>-47.5</b>	<b>-51.8</b>	<b>-135.0</b>	<b>-155.0</b>
Change in Net Worth	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Inc/(Dec) in Debt	-5.2	3.9	42.7	-16.0	-19.8	-32.1	-5.0	0.0
Interest Paid	-2.0	-1.9	-4.6	-4.8	-3.8	-3.0	-1.3	-1.1
Dividends Paid	-10.3	-12.1	-2.9	-10.9	-14.4	-20.2	-28.2	-31.2
<b>CF from Fin. Activity</b>	<b>-17.5</b>	<b>-10.1</b>	<b>35.1</b>	<b>-31.7</b>	<b>-37.8</b>	<b>-55.4</b>	<b>-34.5</b>	<b>-32.4</b>
<b>Inc/(Dec) in Cash</b>	<b>8.7</b>	<b>0.3</b>	<b>-14.6</b>	<b>-1.5</b>	<b>5.9</b>	<b>5.6</b>	<b>5.7</b>	<b>8.3</b>
Add: Beginning Balance	14.2	22.9	23.2	8.7	7.2	13.1	18.7	24.5
<b>Closing Balance</b>	<b>22.9</b>	<b>23.2</b>	<b>8.7</b>	<b>7.2</b>	<b>13.1</b>	<b>18.7</b>	<b>24.5</b>	<b>32.9</b>

(INR b)

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NOTES



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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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