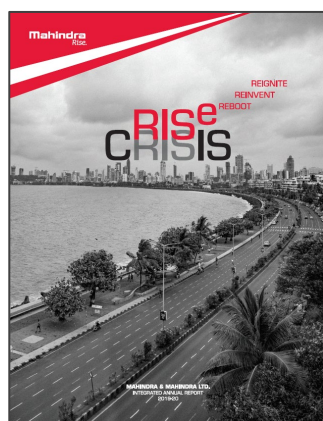


# Mahindra & Mahindra

**BSE SENSEX** 54,526  
**S&P CNX** 16,282

Motilal Oswal values your support in the Asiamoney Brokers Poll 2021 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	MM IN
Equity Shares (m)	1,209
M.Cap.(INRb)/(USDb)	957.8 / 12.9
52-Week Range (INR)	952 / 566
1, 6, 12 Rel. Per (%)	-4/-15/-17
12M Avg Val (INR M)	4088
Free float (%)	81.1

## Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	444	544	591
EBITDA	68.2	73.0	82.6
Adj. PAT*	40.4	46.5	53.8
Adj. EPS (INR)	33.8	38.9	45.1
EPS Gr. (%)	12.8	15.1	15.8
BV/Sh. (INR)	296	326	361

## Ratios

RoE (%)	11.6	12.5	13.1
RoCE (%)	10.2	11.2	12.3
Payout (%)	113	20	22

## Valuations

P/E (x)	23.0	20.0	17.3
P/BV (x)	2.6	2.4	2.2
Div. Yield (%)	1.1	1.0	1.3
FCF Yield*	6.7	4.2	4.9

\*(incl MVML)

**CMP: INR779**

**TP: INR900 (+16%)**

**Buy**

## Focus shifts to growth post capital allocation changes

### Focus on building stronger brands in Auto; FES banks on farm machinery

Mahindra & Mahindra (MM)'s FY21 Annual Report highlights that the company has reoriented its focus on growth after tightening its capital allocation policies. Besides listing out the priority areas for the Auto and Farm Equipment Sector (FES) businesses, it explains future growth areas for farm mechanization and shared mobility/logistics. Key insights from the Annual Report are highlighted below.

- **Focus shifts to generating growth after recalibrating capital allocation:** Post the successful execution of the 'Reboot' strategy, targeting the tightening of capital allocation, MM has shifted its focus to accelerating growth with clearly laid out strategies for the Auto, Farm, Financial Services, and IT Services businesses.
- **Auto business focus on building stronger brands:** Its long-term strategy for the Automotive business is to build a strong, sophisticated, and authentic SUV brand, with a strong road presence and advanced, adventure-ready capabilities. It plans to launch 9 SUVs and 14 LCVs by CY26.
- **EV strategy:** MM's short-term focus is on last-mile mobility, which it expects would reach an inflection point. It intends to commence its EV journey with a new portfolio of ICE-derived SUVs, transitioning to a Born EV platform. MM has set up a fresh investment of INR30b for the Born EV platform and is simplifying the structure (by merging Mahindra Electric) to provide resources and direction to realize targeted growth.
- **FES strategy for faster growth:** MM has deployed a comprehensive strategy for sustained growth in the FES business, with focus on a) achieving market share gains in the domestic Tractors business, b) attaining quantum growth in the Farm Machinery business, c) leveraging the K2 series of lightweight tractors, and d) growing the global Farm business.
- **Targeting quantum growth in Farm Machinery:** It is targeting quantum growth in Farm Machinery by building a strong product pipeline of machinery products in partnership with global associates. It is further exploring exports and inorganic acquisitions to substantially scale up in the segment. MM's FaaS business (branded Krish-e) is a new business vertical focused on improving farmer incomes through digitally enabled services – which are progressive, affordable, and accessible to farmers – across the complete crop cycle.
- **Environmental, Social, and Governance (ESG) – aspires to lead globally:** MM, an early adopter of ESG in India, is now aspiring to lead ESG globally through sustained, focused programs. It aims to turn carbon-neutral by 2040, with Science Based Targets (SBT) in place. On the other hand, the group is focused on improving the revenue of its green portfolio, including EVs, automotive recycling, solar energy, waste-to-energy and biogas, green buildings, and micro-irrigation.
- **Valuation and view:** Implied Core P/E for MM stands at ~10.2x FY23E S/A EPS and 1.3x Core P/BV. Our Mar'23E-based SOTP Target Price is ~INR900/share (implied Core P/E at ~12.9x at TP). Maintain **Buy**.

**Jinesh Gandhi - Research analyst** (Jinesh@MotilalOswal.com)

- **Research analyst - Vipul Agrawal** - (Vipul.Agrawal@MotilalOswal.com); **Aniket Desai** (Aniket.Desai@MotilalOswal.com)

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

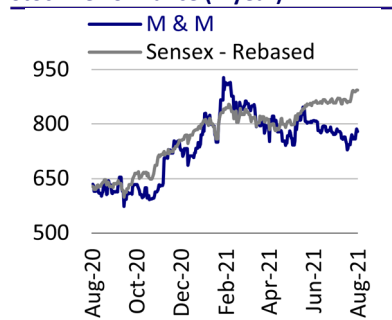
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	18.9	18.9	18.9
DII	25.4	26.8	28.5
FII	45.8	44.7	41.1
Others	9.9	9.6	11.5

FII Includes depository receipts

## Stock Performance (1-year)

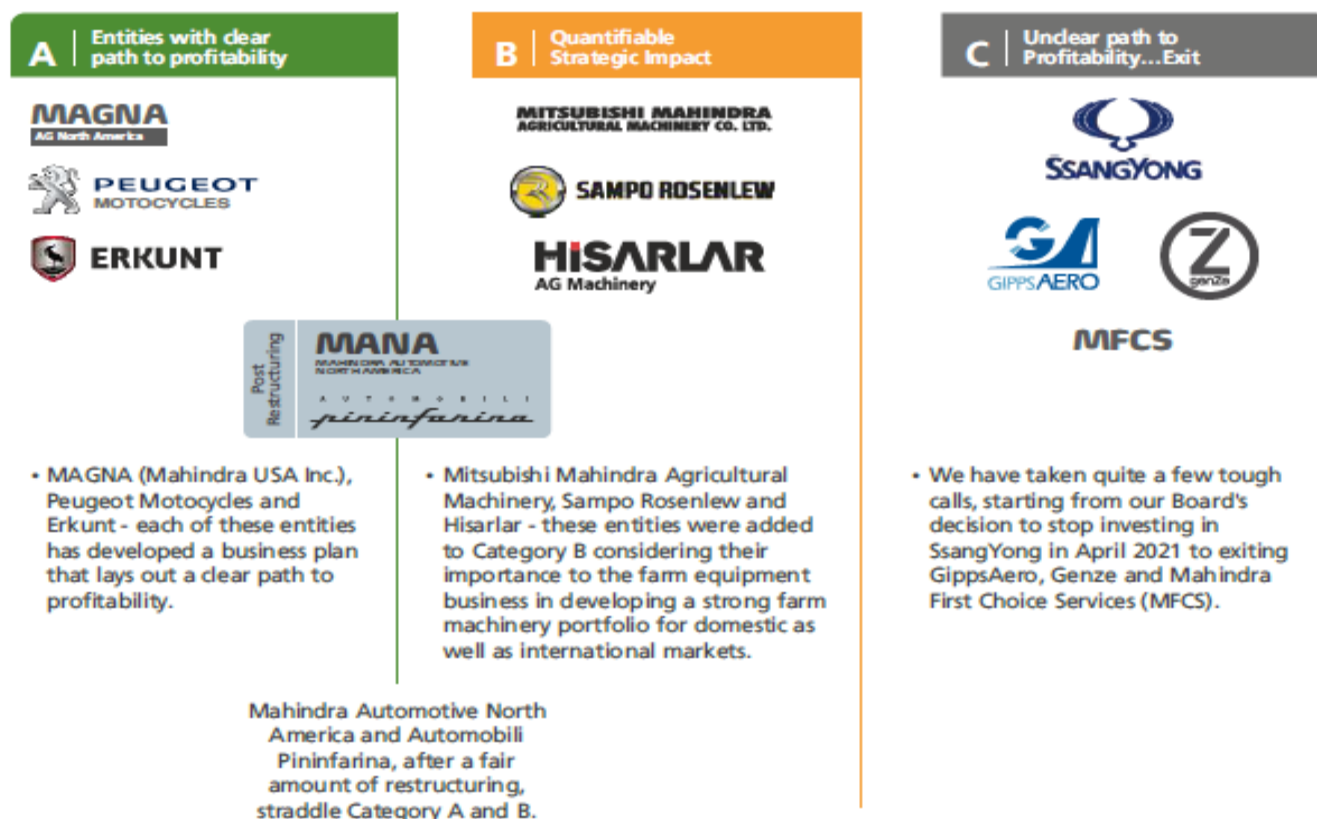


## Focus shifts to generating growth after recalibrating capital allocation

- As a result of a challenging two years (FY19–20), it has initiated a strategy to reboot, reinvent, and reignite value creation in FY21. At the start of FY21, the group initiated the 'Reboot' strategy with a focus on tightening the capital allocation process via strict control.
- As planned, 'Reboot' was executed within a year, with international subsidiaries identified for an exit. Consequent to this exercise, the profitability of global subsidiaries is expected to see a turnaround, resulting in lower investment requirements.
- Post the successful execution of the 'Reboot' strategy, MM has shifted its focus to accelerating growth, with clearly laid out strategies for the Auto, Farm, Financial Services, and IT Services businesses.
- Furthermore, it has identified nine 'Growth Gems' – businesses with proven business models and in various stages of scale-up. Each of these businesses has the ability to grow and generate significant value over the next 3–5 years with the right amount of support.

## Exhibit 1: Loss-making businesses/entities to be closely scrutinized and classified into three categories – A, B, and C

## Capital Allocation Update



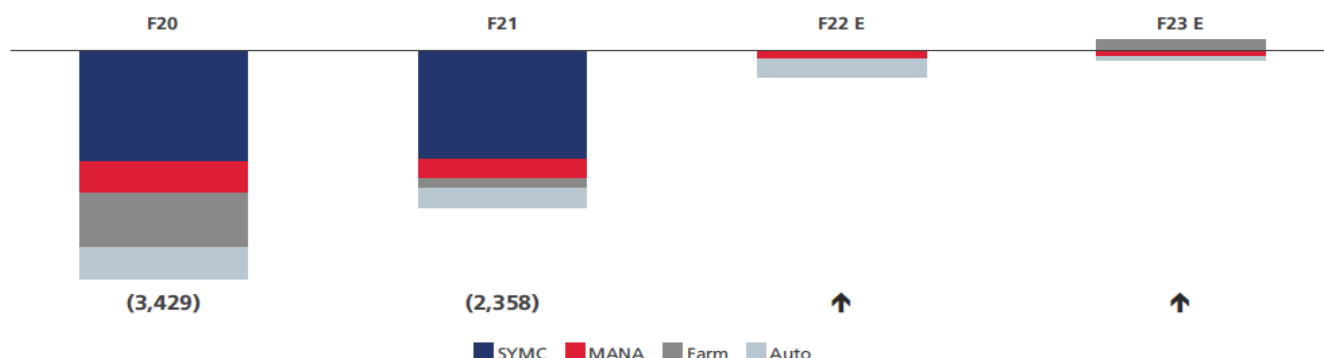
Source: Company

Exhibit 2: International Auto and FES subsidiaries expected to see turnaround by FY23

### Capital Allocation Results

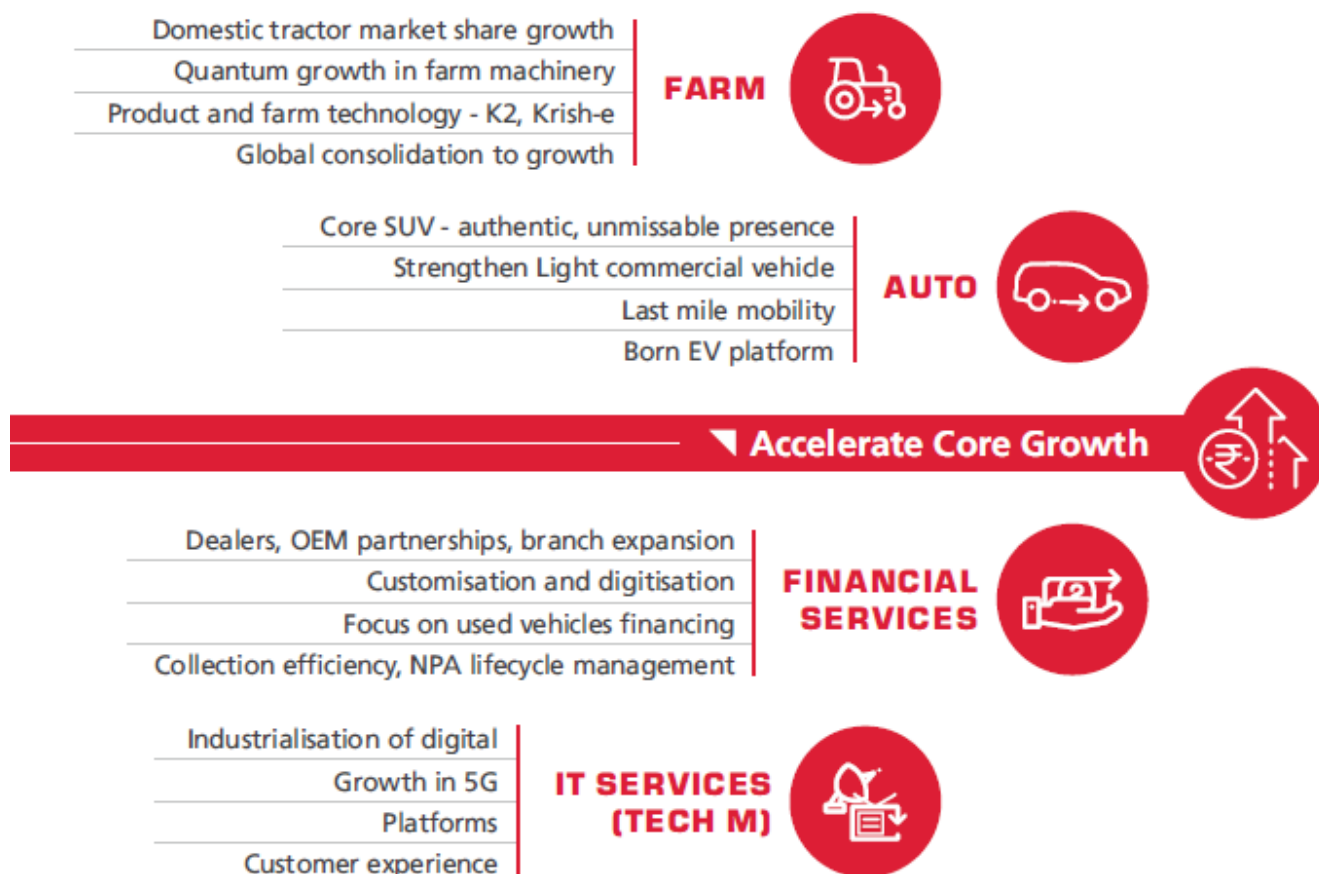
#### International Auto and Farm Operations (₹Cr)

PAT<sup>1</sup> (After NCI, before EI)



Source: Company

Exhibit 3: Group shifts focus to generating growth in core businesses and key large listed subsidiaries



Source: Company





“The future would be defined by our focus on customer experience as we significantly enhance our design capabilities, build differentiated brand strategy, lead digital transformation and drive EV technology.”

### Autos: Focus on building strong brands, leveraging platforms, and implementing future-ready EV strategy

- With the focus increasingly shifting to growth generation, it plans to create a robust portfolio of auto products by launching 23 new products (9 in SUVs and 14 in LCVs) on various platforms up to CY26.
- Its long-term strategy for the Automotive business is to build a strong, sophisticated, and authentic SUV brand, with a strong road presence and advanced, adventure-ready capabilities. It plans to launch nine SUVs by CY26 – three on ‘build on frame’, with higher off-roading capabilities; four on ‘monocoque chassis’ with an EV variant, and two pure EV models over CY25–26.
- For the CV portfolio, it proposes to build tough products with the least cost of ownership. It plans to launch 14 new CV products by 2026 to strengthen its leadership position in the LCV <3.5T category.
- **EV strategy:** MM’s short-term focus is on last-mile mobility, which it expects would reach an inflection point. It intends to commence its EV journey with a new portfolio of ICE-derived SUVs, transitioning to a Born EV platform. It also plans to focus on driving partnerships, along with leveraging its capabilities through Mahindra Research Valley, EV Tech Centre, Mahindra North American Technical Centre, and UK Design Centre, to create an exciting EV portfolio in the SUV space.
- MM has set up a fresh investment of INR30b for the Born EV platform and is simplifying the structure (by merging Mahindra Electric) to provide resources and direction to realize targeted growth. It is categorizing EV operations in two focused verticals – Last-Mile Mobility and EV Tech Centre.

Exhibit 4: Auto business – redefining the future

### Redefine The Future

 <b>MADE</b> MAHINDRA ADVANCED DESIGN EUROPE	 <b>EV TECH CENTRE</b>	 <b>DIGITAL TRANSFORMATION</b>	 <b>DIFFERENTIATED BRAND EXPERIENCE</b>
Authentic design with global appeal	<ul style="list-style-type: none"> <li>• Tech partnerships</li> <li>• 2025-30 BEV roadmap</li> <li>• Software hub at Bengaluru</li> <li>• Leverage MRV for PD</li> </ul>	<ul style="list-style-type: none"> <li>• Customer journey</li> <li>• Software for HMI</li> <li>• New business models</li> <li>• Agile supply network</li> </ul>	<ul style="list-style-type: none"> <li>• Purpose-based brands</li> <li>• Best-in-class CX</li> <li>• Wow products</li> <li>• Platform commonality</li> </ul>

BEV- Born Electric Vehicle | MRV- Mahindra Research Valley | PD- Product Design | HMI- Human-Machine Interface | CX- Customer Experience

Source: Company

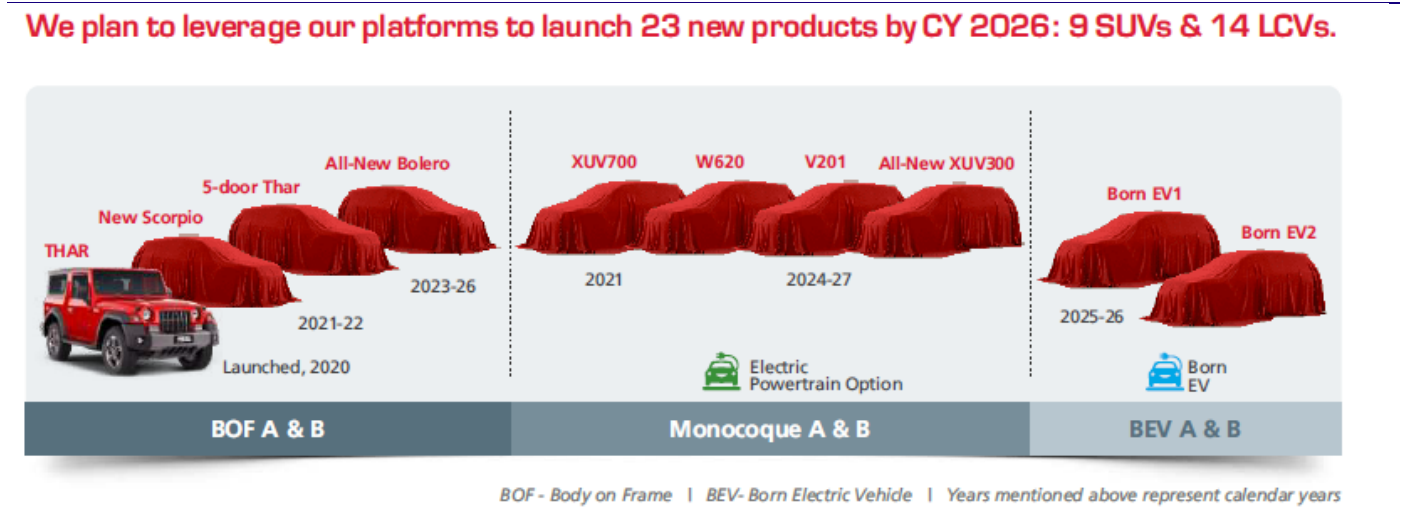


Exhibit 5: MM’s future-ready EV strategy

<div> LAST MILE MOBILITY<div></div></div>	<div> SUV - ICE DERIVED<div></div></div>	<div> BORN EV<div></div></div>
<ul style="list-style-type: none"><li>• Market ready for scale up</li><li>• TREO, ALFA and ATOM</li><li>• Tie-ups with Amazon, Flipkart</li></ul>	<ul style="list-style-type: none"><li>• Exciting Portfolio</li><li>• Partnerships for speed to market</li><li>• MRV with EV Tech</li></ul>	<ul style="list-style-type: none"><li>• MRV, EV Tech, MNATC &amp; UK Design Centre</li><li>• BEV Roadmap for 2025-30</li><li>• Right mix of Make vs Buy</li></ul>

Source: Company

Exhibit 6: New SUV model launches – the core for generating growth



Source: Company

Exhibit 7: Of 14 LCV models, 4 to be pure EV, while other 4 to come with EV powertrain variant



Source: Company

**FES: Focus on market share gains and quantum growth in Farm Machinery**

- MM has deployed a comprehensive strategy for sustained growth in the FES business, a) achieving market share gains in the domestic Tractors business, b) attaining quantum growth in the Farm Machinery business, c) leveraging the K2 series of lightweight tractors, and d) growing the global Farm business.
- It aims to strengthen and gain share in the core domestic Tractors business through a) a series of new launches and b) leveraging technology for agri advisory and ecosystem services such as the Krish-e Farming-as-a-Service (FaaS).
- It is targeting quantum growth in Farm Machinery by building a strong product pipeline of machinery products, in partnerships with global associates. It is further exploring exports and inorganic acquisitions to substantially scale up in the segment. Revenue for the domestic Farm Machinery segment grew 45% to INR4.9b in FY21.
- Its upcoming K2 series of lightweight tractors, developed in collaboration with Mitsubishi Mahindra Agricultural Machinery (Japan), would enable MM to introduce products across four new tractor platforms, in multiple categories, and various HP points. The new series, which would cater to the domestic as well as international markets, would be manufactured at its Zaheerabad facility.

**Exhibit 8: New launches to strengthen the portfolio and foundation for farm mechanization**

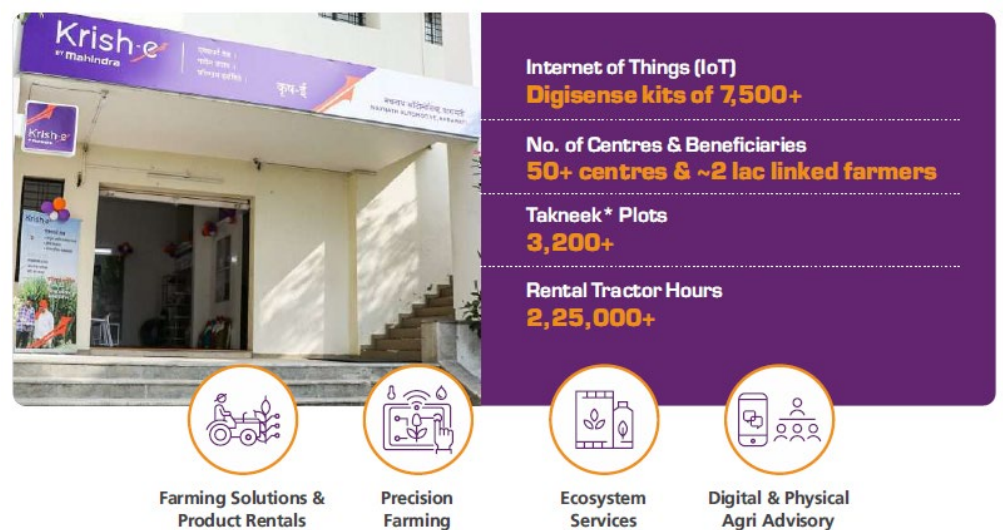
Source: Company

**Farm mechanization and FaaS to support stronger growth in domestic FES**

- MM remains focused on farm mechanization, which could be an important enabler in addressing the concerns of farm productivity and labor shortage. It has an active presence in the Farm Mechanization space, and offers efficient and affordable mechanization solutions such as rotary tillers, cultivators, harvesters, balers, rice transplanters, and specialized sprayers (for horticulture).
- The Farm Machinery business posted the highest ever sales of INR 4.9b in FY21, 46% growth over last year. FY21 also witnessed the exodus of migrant laborers in light of the COVID-19 pandemic. Due to this reverse migration, states such as Punjab, which were dependent on migrant labor, saw a surge in demand for farm mechanization products, such as tractors, harvesters, rice transplanters, potato planters, and super-seeders.

- To strengthen its foundation in harvesting machinery, the company increased its stake in Sampo, Finland, to 79.13% from 49.04%, with total incremental outlay of EUR8.5m (~INR729m). In India, the Combine Harvester market is currently much smaller v/s Tractors, but is growing rapidly with the penetration of mechanization.
- MM's FaaS business, Krish-e, is a new business vertical conceived with the idea of ushering in a new digital age of farming in India. It is aimed at increasing farmer incomes through digitally enabled services – which are progressive, affordable, and accessible to farmers – across the complete crop cycle. Krish-e services comprise a) agronomy advisory and b) access to advanced farm equipment rentals and new-age precision farming solutions. These services are focused on lowering overall costs and improving crop output, thereby improving farmer incomes. Through Krish-e, MM is engaging with farmers more deeply and creating stronger relationships and a moat for the business.
- To enable this, MM has made strategic investments in various specialty firms across the globe, including Resson (a Canadian predictive analytics company), Gamaya (a Swiss hyperspectral image analytics company), and Carnot (an Indian AI-enabled agri IoT company).

#### Exhibit 9: Krish-e FaaS aims to engage more deeply with farmers



\*Takneek Plots were developed where farmers were shown how to farm with Krish-e expertise.

#### Environmental, Social, and Governance – aspires to lead globally

- M&M has been an early adopter of ESG in India and is among the leaders in ESG compliance in the Indian corporate world. It now aspires to lead the ESG business globally through sustained, focused programs.
- It has set the following targets for the 'Environmental' component in 'ESG': a) it aims for carbon neutrality by 2040, with SBT in place; b) it has a 100% renewable energy target (50% by 2025); c) it aspires to improve energy productivity by 100% (60% by 2025); d) it is looking at 100% of its sites acquiring the Zero Waste to Landfill (ZWL) certification by 2030 (22 of 90 identified locations already certified); and e) it would plant 5m trees/year under Project Hariyali (19m trees planted to date).

*"Each one of our own corporate milestones is accompanied by a more human one; whether it be the creation of a truly inclusive workplace, or a reduced environmental impact; whether it's a deeper engagement with our communities, or providing the freedom to experiment (and, even fail) to all our employees."* Mr

**Anand Mahindra, Executive Chairman, Mahindra Group**

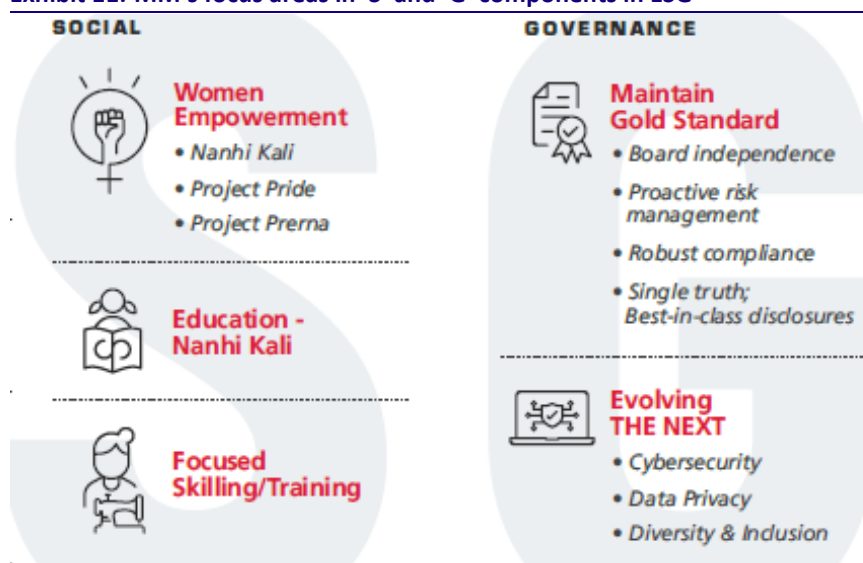
- Furthermore, the group is focused on improving the revenue of its green portfolio, which includes EVs, automotive recycling, solar energy, waste-to-energy and biogas, green buildings, and micro-irrigation.
- It has committed to (a) a 47% reduction in Scope 1 and Scope 2 GHG emissions per equivalent product unit by 2033 (base year: 2018; in line with SBT initiative) and (b) a 30% reduction in Scope 3 GHG emissions per product sold unit by 2033.
- MM has already been recognized globally for its ESG efforts, most notably the following:
  - Among the '100 Most Sustainably Managed Companies in the World' by The Wall Street Journal; ranked 17<sup>th</sup> – the highest ranking for an automobile company as well as the highest ranking for an Indian company
  - Only Indian company among 106 global companies to get Double 'A' score for global climate and water stewardship by global environmental non-profit Carbon Disclosure Project
  - Mahindra Group Sustainability Report awarded 'Asia's Best Carbon Disclosure report' by Asia Sustainability Reporting Award 2020
  - M&M Ltd recognized as one of the 8 Global Transport OEMs in Leadership Band to receive "A" Ratings in CDP Climate Change and Water Security

**Exhibit 10: MM aims to be carbon-neutral by 2040**



Source: Company

**Exhibit 11: MM's focus areas in 'S' and 'G' components in ESG**



Source: Company



### Analysis of FY21 financials

- MM's FY21 standalone revenues (incl. MVML) were largely flat (-1%) at ~INR444.2b, impacted by 9% decline in volumes (19% decline in UVs and 17.4% growth in Tractors). Blended realizations improved 9% YoY, driven by a BS6-led price increase.
- Gross margins declined ~140bp to 32%, impacted by RM cost inflation, and BS6 cost increases were passed through with a lag, partially offset by a better mix (higher Tractors share). However, efficient cost management led to EBITDA margins of 15.4% (up 120bp YoY). Lower taxes, partially offset by lower other income, led to adj. PAT growth of 13% to ~INR40.4b.
- CFO grew 143% YoY to ~INR96b, largely due to the unwinding of working capital. This, coupled with lower capex of ~INR33.1b (v/s INR45.4b in FY20), resulted in FCFF of ~INR62.8b (v/s negative FCFF of ~INR6b in FY20).
- Furthermore, it invested ~INR47b in subsidiaries/JVs/associates in FY21 (v/s INR23b in FY20). Key investments were towards (a) Mahindra & Mahindra Financial Services Limited (INR16.4b in rights issue) b) the Holdco for agri implements – North American Technical Center (INR9.6b), (c) Mahindra USA, Inc (INR8b), (d) the Holdco for Pininfarina (INR4.8b), (e) Peugeot (INR3.2b), and (d) Mahindra Aerospace Private Limited (INR1.6b).
- SsangYong Motor (SYMC) was treated as a discontinued operation for consolidation purposes. It reported consolidated operating revenues of INR188b in CY20 (v/s INR217b in CY19). Consolidated loss after tax after non-controlling interests for the year stands at INR32b v/s INR20.5b in the previous year.
- Consolidated performance (ex-SYMC) has improved significantly – net contribution of subsidiaries to adj. PAT was ~INR5.7b (v/s loss of INR1.9b in FY20), resulting in consolidated adj. PAT growth of 36% to ~INR46.1b.
- The sharp swing in operating performance was visible in the core business, with auto subsidiaries (ex-SYMC) posting lower PBIT losses to INR963m (v/s INR3.7b in FY20) and FES subsidiaries' losses reducing to INR349m (v/s INR6.5b in FY20).
- Standalone RoEs improved 150bp to 11.2% in FY21, and consol. RoEs (ex-SYMC) improved 300bp to 11.5%.

### Other highlights

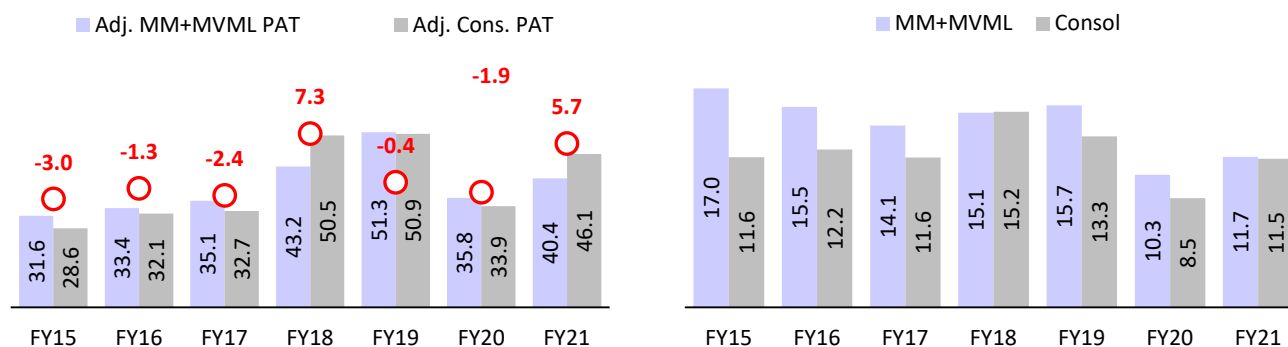
- **Tractors mix improves in FY21:** The mix for the industry improved sharply, with the increase of >40HP in Tractors accounting for 63% industry share in FY21 (v/s 56.7% in FY20). This was largely attributable to a significant scale-up in agri activity, while commercial activity came to a near halt (particularly in 1HFY21). Strong demand from the Agri sector also resulted in higher demand for specific features, such as four-wheel drive and power steering.
- **E-3W supply to Amazon India for delivery:** In FY21, MM launched Treo Zor for last-mile deliveries. It has partnered with Amazon to deploy the Treo Zor EV in its delivery partner's fleet by CY25. This is in line with Amazon India's commitment to include 10,000 electric vehicles in its fleet of delivery vehicles in India by 2025. The Treo Zor EV has been deployed in seven cities thus far with Amazon India's network of delivery service partners.
- **MoU with REE Automotive for e-CVs globally:** MM has signed a memorandum of understanding with REE Automotive to explore the development and manufacturing of electric commercial vehicles for the global markets. This collaboration would leverage REE's corner module and modular platform

technology and Mahindra's vehicle design, engineering, sourcing capability, and manufacturing assets.

- **Meru acquisition to increase MM's presence in Shared Mobility space:** In Dec'19, MM acquired a 36.63% stake in Meru, which operates in the Ride Hail segment and has a presence in the Corporate Transportation space. In Jan'21 M&M increased its stake to 43.2% by way of a primary investment of INR150m. Further to this and with the intent of increasing its focus in the Mobility sector, in May'21, it acquired the balance stake from the erstwhile shareholders of Meru for INR970m.

### Valuation and view

- **Best rural proxy with two of three core businesses on a strong footing:** MM has one of the highest exposures to rural markets (~65% of volumes), which would likely be less impacted by the on-going COVID-19 disruption. According to our estimates, the rural market should contribute over 60%/~80%/~70% to revenue/core PAT/SoTP in FY22E. We have slotted MM's core business into three buckets – Tractors, Pick-up UVs, and Passenger UVs. Tractors and Pickup UVs are on a strong footing in terms of outlook, MM's competitive positioning, and industry-level consolidation. However, MM's SUV business is severely challenged, and we do not see any respite for the company in this category in the foreseeable future.
- **Tractor business slowdown ahead; reforms to potentially drive the next phase of farm mechanization:** The Tractors segment has seen a volume recovery since Dec'19, driven by improvement in farm-level indicators such as output prices, lower input prices, higher government spend in rural areas, and unusually strong water reservoir levels. A good Rabi crop and expected normal monsoons have further improved the outlook for the farm income. However, very high base of FY21 would result in slowdown in volumes in 2HFY22 onwards. We estimate industry volumes to grow ~4% in FY22E and ~5% decline in FY23E.
- **MM's positioning in LCVs to further strengthen under BS-VI:** Looking beyond the cyclical downturn, fundamentals of the LCV segment are strong. LCVs should also continue to benefit from the increasing emergence of the 'Hub and Spoke' model. We estimate the LCV industry to deliver 8-10% CAGR over the next five years. MM enjoys a market share of ~39% in cargo LCVs and ~57% in the 2-3.5t segment. We estimate 25% volume CAGR over FY21-23E.
- **MM to see a volume recovery in the SUV segment, though the competitive intensity remains high:** The company is reorienting its SUV business to maintain its DNA and brand positioning, and to garner market share. Based on its learnings from the Thar success as well as past failures, it is reorienting its SUV business to focus on maintaining its DNA and brand positioning. While the new Thar is the first product based on this renewed strategy, its upcoming new products – XUV700 (2Q) and Scorpio (4QFY22) – will further extend this focus. We estimate Passenger UV volumes to grow at 21% CAGR over FY21-23E.
- **Valuation and view:** MM's valuations are still at a substantial discount to its five-year average, which captures both the pain points of deterioration in the UV market share and performance of its subsidiaries. Implied core P/E for MM stands at 11.8x/10.2x FY22E/FY23E EPS. This implies an over 30% discount (on an FY23E basis) to its five-year average Core P/E. We maintain our Buy rating with a TP of INR900/share (Mar'23E SoTP), which implies 12.9x core PE for FY23E.

**Exhibit 12: Positive impact of capital reallocation reflected in consol. PAT (INR b) and RoEs (%)**

Note: SYMC is not included in consolidated performance from FY20 onwards; Source: Company, MOFSL

**Exhibit 13: Standalone FCFF, post capex and investments, improves substantially**

S/A - INR m	FY16	FY17	FY18	FY19	FY20	FY21
CFO pre Work Cap	40,392	37,608	52,468	54,299	50,038	56,197
Work Cap Changes	14,393	-508	17,803	-5,060	-13,260	35,001
<b>CFO</b>	<b>54,785</b>	<b>37,100</b>	<b>70,271</b>	<b>49,239</b>	<b>36,778</b>	<b>91,198</b>
Capex	-21,597	-20,743	-26,688	-30,316	-39,437	-27,653
Invest. In subs/JVs/Assoc.	-34,142	-33,388	-25,490	-27,942	-23,078	-23,077
<b>FCFF</b>	<b>-953</b>	<b>-17,030</b>	<b>18,093</b>	<b>-9,019</b>	<b>-25,736</b>	<b>40,469</b>

Source: Company, MOFSL

**Exhibit 14: MM invests ~INR47b in subsidiaries, associates, and JVs**

Subsidiary/Associate	New invest. in FY21 (INR m)	Remarks
MMFSL	16,410	Investment in rights issue
Mahindra Overseas Investment Company (Mauritius)	9,657	Holdco for agri implements, North American Tech Centre
Mahindra USA Inc	7,959	Holdco for Mexico
Mahindra Automotive Mauritius	4,795	Holdco for Pininfarina
Mahindra Two Wheelers Europe Holdings	3,192	Holdco for Peugeot
Mahindra Aerospace Private Ltd	1,613	Aerospace business
Sampo Rosenlew Oy	860	Farm machinery business
Mahindra Agri Solutions	400	Holdco for Agri business
Classic Legends Private	312	India Motorcycle business

Source: Company, MOFSL

**Exhibit 15: Headline financials of key core subsidiaries**

INR m	FY21		FY20		FY19		
Name of Subsidiary	Gross Sales	PAT	Gross Sales	PAT	Gross Sales	PAT	Business
Mahindra eMarket Limited	124	-36	402	41	147	26	❖ Auto - Dealership
NBS International Limited	1,323	-13	1,931	-79	1,673	-75	❖ Auto - Dealership
Mahindra Automobile Distributor Private Limited	-	-	291	53	485	22	❖ Autos
Mahindra Heavy Engines Limited	10,610	2,573	10,076	391	10,792	526	❖ Autos
Mahindra Trucks and Buses Limited	-	-	2,236	321	2,003	26	❖ Autos
Mahindra Graphic Research Design S.r.l.	-	-			165	-96	❖ Autos - Engineering
Mahindra North American Technical Center, Inc.	896	-1,890	3,568	-365	3,494	-80	❖ Autos - Engineering
Mahindra Racing UK Limited	1,625	-74	1,643	-142	1,348	-79	❖ Autos - Engineering
Automobili Pininfarina GmbH	2	-8,198	404	-1,296	0	-1,009	❖ Autos - Overseas
Mahindra and Mahindra South Africa (Proprietary)	7,246	118	6,926	-107	6,236	-218	❖ Autos - Overseas
Mahindra Automotive Australia Pty. Limited	1,167	17	730	-26	888	-53	❖ Autos - Overseas
Mahindra Automotive North America Inc.	911	-716	1,229	-663	838	-302	❖ Autos - Overseas
Mahindra Europe S.r.l.	1,211	11	1,448	-4	1,579	-24	❖ Autos - Overseas
Mahindra Vehicle Sales and Service Inc.	823	-2,297	2,906	-2,476	3,370	-1,269	❖ Autos - Overseas
SsangYong Australia Pty Limited \$	3,575	-210	1,734	-297	200	-148	❖ Autos - Overseas
SsangYong European Parts Center B.V. #	1,126	10	1,260	10	1,150	9	❖ Autos - Overseas
SsangYong Motor (Shanghai) Company Limited #	26	-13	27	-14	13	-39	❖ Autos - Overseas
SY Auto Capital Co., LTD #	1,062	138	1,277	323	2,364	187	❖ Autos - Overseas
Mahindra MSTC Recycling Private Limited	99	-17	58	-54	12	-58	❖ Autos - Recycling
Mahindra First Choice Services Limited	-	-	1,098	-311	1,136	-355	❖ Used car dealers
Mahindra First Choice Wheels Ltd	4,190	-33	3,758	-70	2,280	-146	❖ Used car dealers
Mahindra Electric Mobility Limited	2,127	-1,071	2,789	-552	2,513	-530	❖ Autos (EV)
<b>Total Autos</b>	<b>2,44,723</b>	<b>-45,621</b>	<b>2,71,752</b>	<b>-26,397</b>	<b>2,68,685</b>	<b>-7,482</b>	<b>❖ Autos</b>
Meru Mobility Tech Private Limited	429	-285	1,160	-106			❖ Mobility as service
Meru Travel Solutions Private Limited	-	-6	0	-103			❖ Mobility as service
Zoomcar Inc	-	-	NA	-446	NA	-263	❖ Mobility as service
Smartshift Logistics Solutions (Porter)	-	-892	NA	-431	NA	-104	❖ Logistics as service
<b>Total Mobility/Logistic as service</b>	<b>429</b>	<b>-1,183</b>	<b>1,160</b>	<b>-1,086</b>	<b>0</b>	<b>-367</b>	<b>❖ Autos</b>
Erkunt Sanayi A.S. #	3,262	202	5,328	295	5,787	485	❖ FES - Implements
Erkunt Traktor Sanayii A.S. #	5,419	-704	3,219	-401	3,434	-468	❖ FES - Implements
Gromax Agri Equipment Limited	1,491	-8	1,397	-22	1,477	11	❖ FES - Tractors
Hisarlar İthalat İhracat Pazarlama Anonim Şirketi # \$	1,069	19	1,445	-7	1,178	-7	❖ FES - Implements
Hisarlar Makina Sanayi ve Ticaret Anonim	2,007	-145	2,212	-750	2,517	-782	❖ FES - Implements
Mahindra do Brasil IndustrialLtda	932	-32	716	-508	532	-259	❖ FES - Tractors
Mahindra Mexico S. de. R. L	511	-83	304	-447	342	-219	❖ FES - Tractors
Mahindra USA Inc.	26,363	-1,954	25,768	-5,071	23,181	-5,493	❖ FES - Tractors USA
Trringo.com Limited	7	-1	13	1	19	-77	❖ FES - Others
Swaraj Engines	-	322	NA	247	NA	275	❖ FES - Tractors
Mitsubishi Mahindra Agricultural Machinery	-	-33	NA	-1,491	NA	-363	❖ FES - Implements
Sampo Rosenlew Oy	4,709	9	NA	-265	NA	-574	❖ FES - Implements
M.I.T.R.A Agro Equipments Private Limited	-	39	NA	13			❖ FES - Implements
<b>Total FES</b>	<b>45,770</b>	<b>-2,369</b>	<b>40,402</b>	<b>-8,404</b>	<b>38,467</b>	<b>-7,470</b>	<b>❖ FES</b>

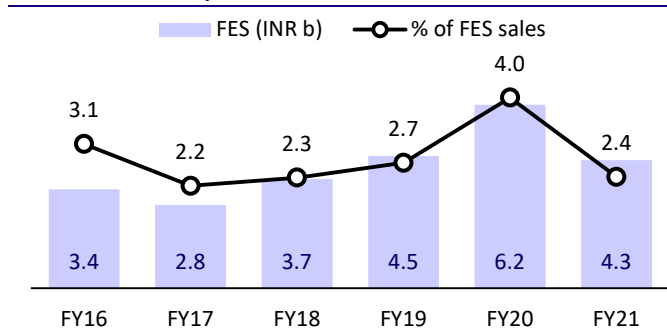
Note: Above financials are not on pro-rata basis and not adjusted for inter-segment; Source: Company, MOFSL



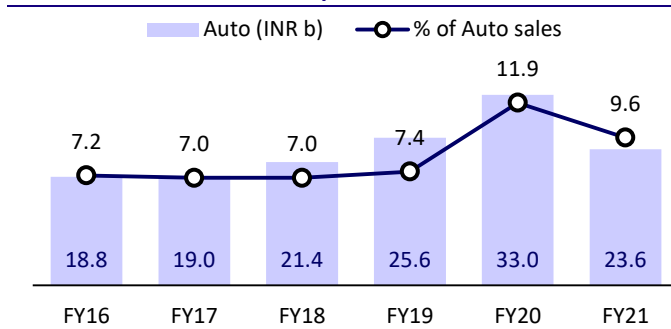
**Exhibit 16: Headline financials of key non-core subsidiaries**

INR m	FY21		FY20		FY19		Business
Name of Subsidiary	Gross Sales	PAT	Gross Sales	PAT	Gross Sales	PAT	
Mahindra Two Wheelers Limited	2,318	247	259	7	315	8	❖ 2W - Domestic
Classic Legends Private Limited	4,402	-880	4,114	-61	13	-188	❖ 2W - Domestic
BSA Company Limited	3	-10	4	-2	5	-2	❖ 2W - Domestic
<b>Total 2Ws - Domestic</b>	<b>6,723</b>	<b>-643</b>	<b>4,377</b>	<b>-56</b>	<b>333</b>	<b>-181</b>	❖ 2W - Domestic
Peugeot Motorcycles S.A.S.	9,697	-456	8,165	-2,444	8,358	-2,820	❖ 2W - Overseas
Peugeot Motorcycles Deutschland GmbH # \$	1,512	8	1,413	4	1,244	3	❖ 2W - Overseas
Mahindra Tractor Assembly Inc. (Genze)	300	-565	523	-2,216	677	-1,387	❖ 2W - Overseas
Peugeot Motorcycles Italia S.p.A. #	14	-54	333	-118	506	3	❖ 2W - Overseas
PMTTC Engineering SpA	14	-38	50	-30	102	-24	❖ 2W - Overseas
Mahindra Two Wheelers Europe Holdings	-	-6	0	-2,306	0	-2,025	❖ 2W - Overseas
<b>Total 2Ws - Overseas</b>	<b>11,538</b>	<b>-1,112</b>	<b>10,484</b>	<b>-7,110</b>	<b>10,888</b>	<b>-6,250</b>	❖ 2W - Overseas
Mahindra Aerostructures Private Limited	705	-230	921	-86	714	-196	❖ Aerospace
Gippsaero Pty Limited	260	-405	526	-1,069	618	-982	❖ Aerospace
Mahindra Aerospace Private Limited	705	-230	2	-3,194	24	-1,798	❖ Aerospace
Mahindra Aerospace Australia Pty	-	-959	0	-2,685	1	-896	❖ Aerospace
Mahindra Airways Limited	25	-22	38	-8	0	-8	❖ Aerospace
<b>Total Aerospace</b>	<b>1,695</b>	<b>-1,845</b>	<b>1,487</b>	<b>-7,042</b>	<b>1,357</b>	<b>-3,880</b>	❖ Aerospace
<b>Total Agri</b>	<b>13,381</b>	<b>-390</b>	<b>13,052</b>	<b>-267</b>	<b>11,422</b>	<b>-944</b>	❖ Agri
MMFSL	1,05,168	3,352	1,02,451	9,064	88,098	15,571	❖ BFSI
Mahindra Rural Housing Finance Ltd	14,547	1,510	15,276	1,486	13,840	2,505	❖ BFSI
Mahindra Insurance Brokers Limited	2,686	320	3,369	534	3,234	715	❖ BFSI
Mahindra Asset Management Company	305	-267	170	-379	281	-395	❖ BFSI
Mahindra-BT Investment Company (Mauritius) Ltd.	10	6	32	28	28	20	❖ BFSI
<b>Total BFSI</b>	<b>1,22,715</b>	<b>4,920</b>	<b>1,21,298</b>	<b>10,732</b>	<b>1,05,481</b>	<b>18,415</b>	❖ BFSI
<b>Total Defense</b>	<b>5,585</b>	<b>481</b>	<b>3,907</b>	<b>120</b>	<b>3,382</b>	<b>169</b>	
<b>Total Hospitality</b>	<b>18,064</b>	<b>-91</b>	<b>24,087</b>	<b>-1,100</b>	<b>22,389</b>	<b>773</b>	
<b>Total Logistics</b>	<b>33,107</b>	<b>279</b>	<b>35,130</b>	<b>555</b>	<b>39,132</b>	<b>812</b>	
<b>Total Real Estate</b>	<b>7,360</b>	<b>-132</b>	<b>13,430</b>	<b>-3,926</b>	<b>14,400</b>	<b>1,518</b>	
<b>Total Retail</b>	<b>1,208</b>	<b>600</b>	<b>1,474</b>	<b>-214</b>	<b>1,641</b>	<b>-227</b>	
<b>Total Steel Processing</b>	<b>13,636</b>	<b>485</b>	<b>13,949</b>	<b>88</b>	<b>19,985</b>	<b>731</b>	
<b>Total Renewable Energy</b>	<b>11,582</b>	<b>99</b>	<b>24,596</b>	<b>274</b>	<b>29,001</b>	<b>729</b>	

Note: Above financials are not on pro-rata basis and not adjusted for inter-segment; Source: Company, MOFSL

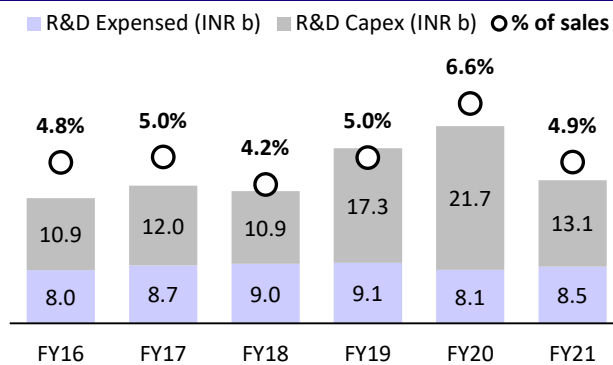
**Exhibit 17: FES capex normalizes in FY21**

Source: Company, MOFSL

**Exhibit 18: Auto business capex normalizes in FY21**

Source: Company, MOFSL

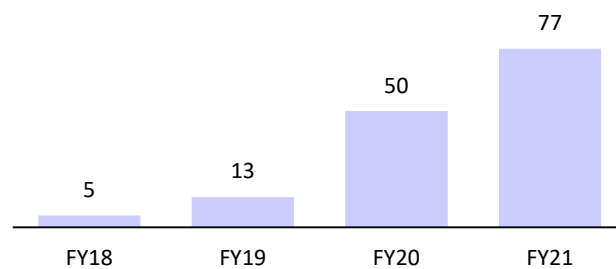
Exhibit 19: R&amp;D investments increase in FY20



Source: Company, MOFSL

Exhibit 20: Trend in patent grants

Number of patents granted



Source: Company, MOFSL

Exhibit 21: Domestic Tractor industry – HP-wise profile

HP	Industry Share		
	FY20	FY21	Growth
<20	3.4%	3.20%	17.40%
20-30	6.5%	5.80%	13.80%
30-40	33.3%	28.00%	6.70%
40-50	48.7%	53.50%	39.40%
>50	8.0%	9.50%	49.30%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>26.60%</b>

Source: Company, MOFSL

Exhibit 22: MM – Sum-of-the-Parts (INR/share)

INR/sh	Target P/E (x)	FY22E	FY23E
Tractors	15	335	404
Autos	12	188	219
Others	8	56	67
<b>Value of Core Business</b>		<b>580</b>	<b>690</b>
Value of subs post hold-co	20% Discount	320	320
- Tech Mahindra		168	168
- M&MFSL		24	24
- Mah. Lifespaces		10	10
- Mah. Holidays		13	13
- Mah. Logistics		9	9
- Others		95	95
<b>Fair Value (INR/sh)</b>		<b>900</b>	<b>1010</b>

Source: MOFSL

## Operating metrics

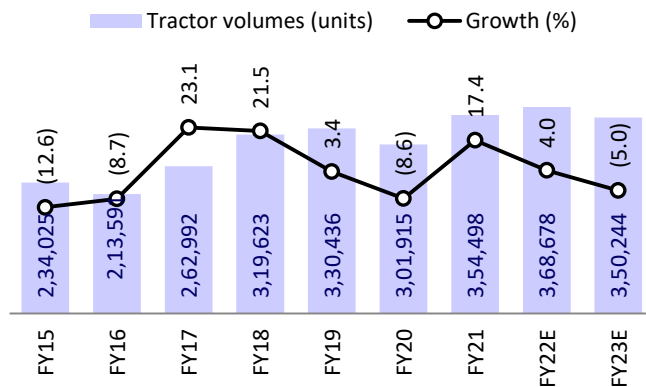
### Exhibit 23: Snapshot of revenue model

000 units	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Tractors</b>	<b>263</b>	<b>320</b>	<b>330</b>	<b>302</b>	<b>354</b>	<b>369</b>	<b>350</b>
Growth (%)	23.1	21.5	3.4	-8.6	17.4	4.0	-5.0
% of total volumes	34.3	36.8	35.2	38.8	50.2	43.6	38.8
<b>Autos</b>							
Pick-up/LCVs (<3.5t)	168	200	229	188	154	200	239
Growth (%)	7.7	19.1	14.9	-18.1	-18.3	30.0	20.0
SUVs	223	235	237	179	165	217	240
Growth (%)	-4.4	5.7	0.9	-24.4	-8.2	31.9	10.4
3-Ws	52	55	67	62	21	31	41
Growth (%)	-4.9	4.4	22.1	-6.8	-69.5	53.0	30.0
LCVs (>3.5t)	8	8	8	6	2	2	2
Growth (%)	18.7	1.6	8.6	-26.5	-75.0	30.0	15.0
M&HCVs (MTBL)	7	9	11	5	3	4	6
Growth (%)	17.7	41.2	14.3	-53.0	-50.0	60.0	30.0
Others & Exports	47	42	56	35	9	22	25
Growth (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Autos</b>	<b>504</b>	<b>549</b>	<b>609</b>	<b>476</b>	<b>352</b>	<b>477</b>	<b>553</b>
Growth (%)	2.5	8.9	10.8	-21.8	-26.0	35.3	16.1
% of total volumes	65.7	63.2	64.8	61.2	49.8	56.4	61.2
<b>Total volumes ('000 units)</b>	<b>767</b>	<b>869</b>	<b>939</b>	<b>778</b>	<b>707</b>	<b>845</b>	<b>904</b>
Growth (%)	8.8	12.9	8.1	-17.2	-9.1	19.6	6.9
<b>ASP (INR '000/Unit)</b>	<b>572</b>	<b>560</b>	<b>571</b>	<b>585</b>	<b>635</b>	<b>654</b>	<b>664</b>
Growth (%)	0.3	-2.1	1.9	2.4	7.5	3.0	1.5
<b>Net Sales (INR b)</b>	<b>441</b>	<b>487</b>	<b>536</b>	<b>455</b>	<b>449</b>	<b>553</b>	<b>600</b>
Growth (%)	9.1	10.5	10.1	-15.2	-1.3	23.2	8.5

Source: Company, MOFSL

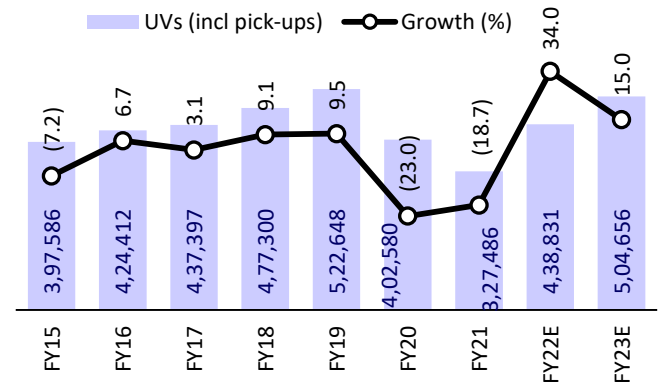
## Story in charts

**Exhibit 24: Trend in Tractor volumes**



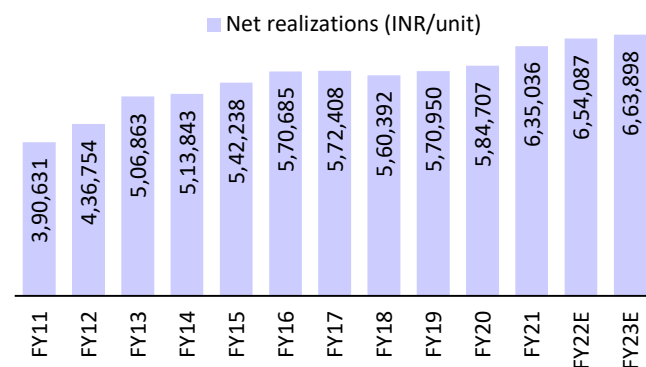
Source: Company, MOFSL

**Exhibit 25: New product launches to drive UV sales**



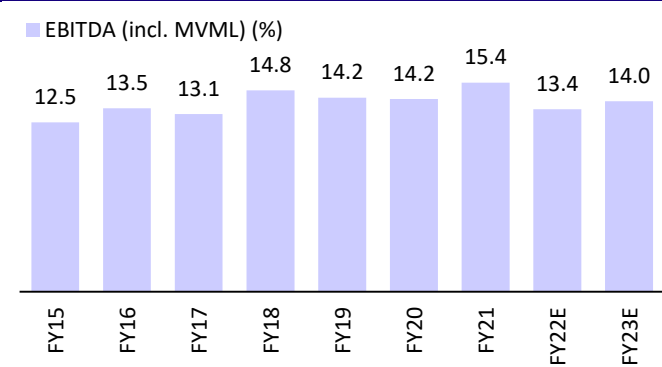
Source: Company, MOFSL

**Exhibit 26: Realization trend**



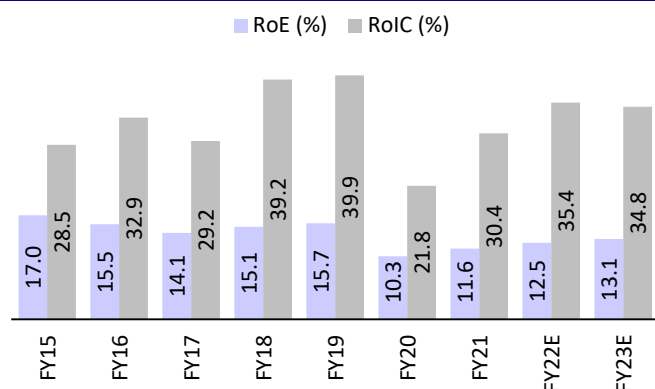
Source: Company, MOFSL

**Exhibit 27: Trend in EBITDA margins**



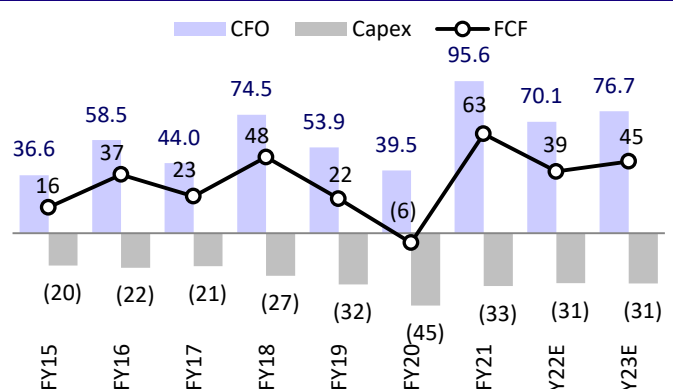
Source: Company, MOFSL

**Exhibit 28: Trend in return profile**



Source: Company, MOFSL

**Exhibit 29: FCF to improve despite high capex plans (INR b)**



Source: Company, MOFSL



## Financials and valuations

### S/A Income Statement (incl MVML)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Net Op. Income</b>	<b>4,75,774</b>	<b>5,28,482</b>	<b>4,48,655</b>	<b>4,44,164</b>	<b>5,44,484</b>	<b>5,90,747</b>
Change (%)	15.0	11.1	-15.1	-1.0	22.6	8.5
<b>EBITDA</b>	<b>70,434</b>	<b>75,301</b>	<b>63,506</b>	<b>68,186</b>	<b>72,954</b>	<b>82,640</b>
Margins (%)	14.8	14.2	14.2	15.4	13.4	14.0
Depreciation	16,254	20,030	23,631	23,624	23,945	26,350
<b>EBIT</b>	<b>54,181</b>	<b>55,271</b>	<b>39,875</b>	<b>44,562</b>	<b>49,009</b>	<b>56,290</b>
Int. & Finance Charges	1,882	1,467	1,245	3,957	3,057	2,146
Other Income	9,517	16,303	15,391	11,973	15,212	16,967
Non-recurring Income	4,336	3,723	-28,112	-30,165	-785	0
<b>Profit before Tax</b>	<b>66,152</b>	<b>73,829</b>	<b>25,910</b>	<b>22,413</b>	<b>60,380</b>	<b>71,111</b>
Eff. Tax Rate (%)	30.1	26.8	71.5	58.8	24.3	24.3
<b>Profit after Tax</b>	<b>46,232</b>	<b>54,012</b>	<b>7,397</b>	<b>9,229</b>	<b>45,708</b>	<b>53,831</b>
<b>Adj. Profit after Tax</b>	<b>43,202</b>	<b>51,288</b>	<b>35,770</b>	<b>40,405</b>	<b>46,491</b>	<b>53,831</b>
Change (%)	23.0	18.7	(30.3)	13.0	15.1	15.8

E: Inquire Estimates

### Balance Sheet

(INR Million)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	5,950	5,958	5,965	5,974	5,974	5,974
Reserves	2,98,924	3,43,979	3,40,326	3,47,239	3,83,985	4,25,868
<b>Net Worth</b>	<b>3,04,874</b>	<b>3,49,937</b>	<b>3,46,291</b>	<b>3,53,212</b>	<b>3,89,959</b>	<b>4,31,842</b>
Deferred tax	4,557	7,896	15,068	14,497	14,497	14,497
Loans	32,142	26,803	31,530	72,143	25,948	23,948
<b>Capital Employed</b>	<b>3,41,573</b>	<b>3,84,636</b>	<b>3,92,889</b>	<b>4,39,852</b>	<b>4,30,403</b>	<b>4,70,286</b>
Application of Funds						
Gross Fixed Assets	2,01,985	2,42,262	2,66,446	2,88,225	3,31,553	3,61,753
Less: Depreciation	1,05,160	1,23,730	1,45,935	1,68,155	1,90,805	2,15,855
<b>Net Fixed Assets</b>	<b>96,826</b>	<b>1,18,532</b>	<b>1,20,511</b>	<b>1,20,070</b>	<b>1,40,747</b>	<b>1,45,897</b>
Capital WIP	33,244	26,437	48,582	61,255	47,933	47,933
Investments	1,93,999	2,06,262	1,75,329	2,22,862	2,07,977	2,34,977
<b>Curr.Assets, L &amp; Adv.</b>	<b>1,69,224</b>	<b>1,97,940</b>	<b>1,73,757</b>	<b>2,14,923</b>	<b>2,13,669</b>	<b>2,23,691</b>
Inventory	33,271	47,631	40,408	47,827	52,413	56,866
Sundry Debtors	30,984	38,119	29,012	22,012	31,381	34,047
Cash & Bank Bal.	29,242	38,321	42,365	62,556	57,280	59,378
Loans & Advances	10,182	8,612	6,511	19,399	9,465	10,270
Others	65,545	65,257	55,460	63,130	63,130	63,130
<b>Current Liab. &amp; Prov.</b>	<b>1,51,720</b>	<b>1,64,535</b>	<b>1,25,290</b>	<b>1,79,258</b>	<b>1,79,924</b>	<b>1,82,213</b>
Sundry Creditors	93,737	1,03,607	72,006	1,06,438	1,06,272	1,07,210
Other Liabilities	42,297	44,775	37,503	57,744	57,744	57,744
Provisions	15,687	16,154	15,781	15,077	15,907	17,259
<b>Net Current Assets</b>	<b>17,504</b>	<b>33,405</b>	<b>48,467</b>	<b>35,665</b>	<b>33,746</b>	<b>41,479</b>
<b>Application of Funds</b>	<b>3,41,573</b>	<b>3,84,636</b>	<b>3,92,889</b>	<b>4,39,852</b>	<b>4,30,403</b>	<b>4,70,286</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>						
Fully diluted EPS	36.3	43.0	30.0	33.8	38.9	45.1
FD EPS (incl MVML)	36.3	43.0	30.0	33.8	38.9	45.1
Cash EPS	50.0	59.9	49.8	53.6	59.0	67.1
Book Value per Share	256.2	293.7	290.3	295.6	326.4	361.4
DPS	7.5	8.5	2.4	8.8	7.5	10.0
Div. Payout (%)	22.4	21.8	44.0	113.3	19.6	22.2
<b>Valuation (x)</b>						
P/E	21.4	18.1	26.0	23.0	20.0	17.3
Cash P/E	15.6	13.0	15.6	14.5	13.2	11.6
EV/EBITDA	12.6	11.8	14.0	13.1	12.1	10.5
EV/Sales	1.9	1.7	2.0	2.0	1.6	1.5
Price to Book Value	3.0	2.7	2.7	2.6	2.4	2.2
Dividend Yield (%)	1.0	1.1	0.3	1.1	1.0	1.3
<b>Profitability Ratios (%)</b>						
RoE	15.1	15.7	10.3	11.6	12.5	13.1
RoCE	13.3	14.1	9.3	10.2	11.2	12.3
RoICE	39.2	39.9	21.8	30.4	35.4	34.8
<b>Turnover Ratios</b>						
Debtors (Days)	24	26	24	18	21	21
Inventory (Days)	26	33	33	39	35	35
Creditors (Days)	72	72	59	87	71	66
Core. Work. Cap (Days)	-23	-12	-2	-30	-15	-10
Asset Turnover (x)	1.4	1.4	1.1	1.0	1.3	1.3
<b>Leverage Ratio</b>						
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2

### Cash Flow Statement

(INR Million)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	56,688	70,106	54,021	54,158	49,009	56,290
Int./Dividends Received	-8,084	-12,339	-12,918	-9,441	15,212	16,967
Depreciation & Amort.	14,794	20,030	23,631	23,624	23,945	26,350
Direct Taxes Paid	-12,887	-17,006	-11,986	-11,377	-14,672	-17,280
(Inc)/Dec in Wkg. Capital	17,803	-6,722	-14,954	35,643	-3,356	-5,635
Other Items	1,957	-153	1,657	3,016		
<b>CF from Oper. Activity</b>	<b>70,271</b>	<b>53,916</b>	<b>39,451</b>	<b>95,623</b>	<b>70,138</b>	<b>76,692</b>
(Inc)/Dec in FA+CWIP	-26,688	-32,150	-45,418	-33,119	-31,300	-31,500
<b>Free Cash Flow</b>	<b>43,583</b>	<b>21,766</b>	<b>-5,967</b>	<b>62,504</b>	<b>38,838</b>	<b>45,192</b>
(Pur)/Sale of Invest.	-24,416	4,431	16,423	-1,13,558	14,885	-27,000
<b>CF from Inv. Activity</b>	<b>-51,104</b>	<b>-27,720</b>	<b>-28,994</b>	<b>-1,46,677</b>	<b>-16,415</b>	<b>-58,500</b>
Change in Net Worth	0	0	0	0	0	0
Inc/(Dec) in Debt	592	-5,224	3,892	42,286	-46,195	-2,000
Interest Paid	-1,695	-2,016	-1,904	-4,137	-3,057	-2,146
Dividends Paid	-9,230	-10,267	-12,132	-2,936	-9,129	-12,116
<b>CF from Fin. Activity</b>	<b>-10,333</b>	<b>-17,507</b>	<b>-10,144</b>	<b>35,213</b>	<b>-58,381</b>	<b>-16,262</b>
<b>Inc/(Dec) in Cash</b>	<b>8,834</b>	<b>8,689</b>	<b>312</b>	<b>-15,841</b>	<b>-4,659</b>	<b>1,930</b>
Add: Beginning Balance	5,346	14,234	22,923	23,235	7,394	2,736
<b>Closing Balance</b>	<b>14,180</b>	<b>22,923</b>	<b>23,235</b>	<b>7,394</b>	<b>2,736</b>	<b>4,834</b>

E: MOFSL Estimates; Note: FY18 Cashflows are for standalone (ex MVML)

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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