

September 13, 2022

Event Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,400		1,400	
Sales (Rs. m)	8,43,124	9,20,109	8,43,124	9,20,109
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,22,288	1,43,115	1,22,288	1,43,115
% Chng.	-	-	-	-
EPS (Rs.)	70.4	82.8	70.4	82.8
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	574	732	843	920
EBITDA (Rs. bn)	70	97	122	143
Margin (%)	12.3	13.3	14.5	15.6
PAT (Rs. bn)	51	66	84	99
EPS (Rs.)	43.0	55.3	70.4	82.8
Gr. (%)	26.1	28.6	27.3	17.6
DPS (Rs.)	11.6	12.0	13.0	14.0
Yield (%)	0.9	0.9	1.0	1.1
RoE (%)	13.9	15.9	17.7	18.0
RoCE (%)	10.4	14.5	17.0	17.8
EV/Sales (x)	2.6	2.0	1.7	1.5
EV/EBITDA (x)	21.4	15.1	11.6	9.5
PE (x)	30.2	23.5	18.4	15.7
P/BV (x)	4.0	3.5	3.0	2.6

Key Data

MAHM.BO | MM IN

52-W High / Low	Rs.1,366 / Rs.671
Sensex / Nifty	60,115 / 17,936
Market Cap	Rs.1,612bn / \$ 20,275m
Shares Outstanding	1,243m
3M Avg. Daily Value	Rs.4825.91m

Shareholding Pattern (%)

Promoter's	23.40
Foreign	37.94
Domestic Institution	29.00
Public & Others	9.66
Promoter Pledge (Rs bn)	0.01

Stock Performance (%)

	1M	6M	12M
Absolute	3.0	76.5	72.8
Relative	1.9	63.1	67.6

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Mahindra & Mahindra (MM IN)

Rating: BUY | CMP: Rs1,297 | TP: Rs1,400

EV success can re-rate the stock; BUY

M&M unveiled first electric SUV – XUV400, based on its XUV300 subcompact SUV. With this launch, M&M has notched up the competition in the affordable e-SUV segment in India, which is currently ruled by Tata Nexon EV (Tata recorded 87% EV market share in FY22). XUV400 comes with a battery pack of 39.4 kWh, similar to Nexon EV Max's 40.5 kWh. However, compared to 437km range in a single charge from a slightly bigger battery pack in Nexon EV Max, XUV400's battery offers a longer range of 456km – owing to better technology. M&M believes, there remains a vast electric opportunity in the C-segment (4-4.5m), contrasting to Tata Nexon EV's presence in the B-segment (3.85-4m, Nexon EV has 3.5% share in this segment). We expect XUV400 to come with a price tag of Rs 18-20 lakhs, similar to its competition Nexon EV Max. Price announcement, Bookings are expected in Jan-23, deliveries will commence from end of Jan-23.

M&M is one of our preferred picks in the auto space given (1) back-to-back successful launches in the highly competitive SUV space, (2) its leadership position in tractor industry, (3) its proactiveness to leverage the EV trend can lead to value unlocking and (4) its well-played out capital allocation strategy. Currently, we are not assigning any value to EVCo, as it doesn't have any material presence in e-PV segment. However, success of XUV400 along with market share gains can re-rate the stock. Reiterate BUY with a Jun-24 target price of Rs 1,400 (18x on core EPS and Rs 285 for subsidiaries).

XUV400 launch – M&M's first new generation electric SUV: M&M has made its entry into the EV space with XUV400, launched on 8th Sep-22, which is based on the XUV300 subcompact SUV. Though the company has now showcased the product, deliveries will only begin in the end of Jan-23. Pricing announcement and booking opening will happen in Jan-23.

Upping the competition in the e-SUV space: XUV400 will go against Tata's Nexon EV, Hyundai Kona and MG ZS. Nexon EV Max is priced at ~Rs 18-20 lakhs (ex-showroom), and we expect a similar pricing for XUV400. XUV400 has notched up the competition in e-SUV space, which is currently dominated by Tata Nexon EV - present in the B-segment (3.85-4m, Nexon EV has 3.5% share in this segment). However, M&M believes there remains a big electric opportunity in the C-segment (4-4.5m) where Kona and ZS each, have less than 1% market share.

Conspicuous features: XUV400 comes with a combination of best in class features in terms of performance, range and safety. It comes with a battery pack of 39.4kWh and claims to deliver 456km in a single charge vs Nexon EV Max's 40.5 kWh and driving range of 437km. It has adopted length of 4200m vs Nexon EV's 3993m, which makes it fall under the C-segment. It supports DC fast charging of 0% to 80% in 50 mins and acceleration from 0-100kmph in 8.3 sec (better than competition). It comes with 3 drive modes – Fun, Fast and Fearless, along with a new feature of 'one pedal drive'.

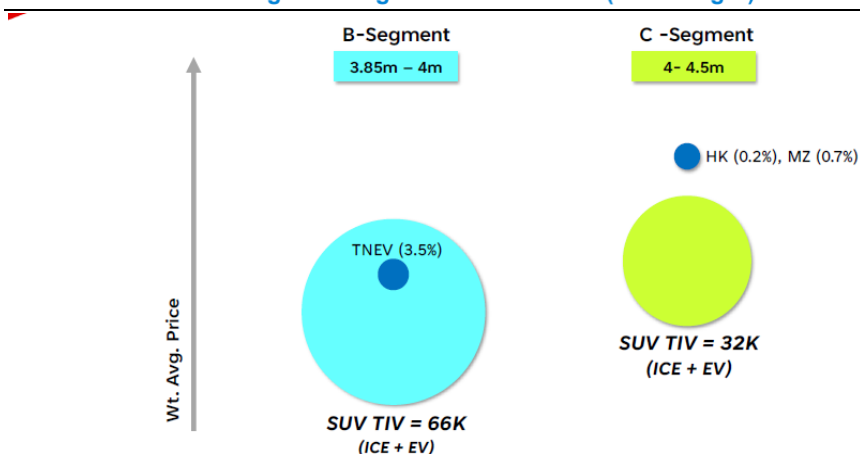
Plans ahead: Under Mahindra's partnership with Volkswagen (VW's MEB electric components for M&M's INGLO platform), the company will launch five models with two brands – XUV and BE. It plans to build models specific to Indian markets with its SUV modular platform. Mahindra expects its EV models to generate 20% to 30% of its total SUV sales by 2027. XUV e8 is planned to launch in Dec-24, XUV e9 in Apr-25, BE 05 in Oct-25 and BE 07 in Oct-26; BE 09 launch undecided. Also, the newly launched XUV400 will move into the new company – EVCo.

Exhibit 1: XUV400 vs Nexon EV Max

Basis	XUV400	Tata Nexon Max
		
Length (m)	4.2	3.9
Height (m)	1.6	1.6
Width (m)	1.8	1.8
Wheelbase (m)	2.6	2.5
No of airbags	6	2
Drive modes	Fun, Fast & Fearless.	City, Eco, Sports
Power	148 Bhp	141 Bhp
Torque	310 Nm	250 Nm
Battery pack	39.4 Kwh	40.5 Kwh
Range	456 Km	437 Km
Actual Range	-	305 Km
0-100kmph	8.3 sec	9 sec
Fast charging	0-80% in 50 mins	0-80% in 56 mins
Pricing (ex-showroom)	We expect pricing to be similar to Nexon EV Max	Rs 18.34 lakh to Rs 20.04 lakh

Source: Industry, Company, PL

Exhibit 2: Mahindra targets C-segment with XUV400 (4.2m length)



Note: Size of the bubble indicates average per month volume (SUV, for ICE+EV) with Price Clusters

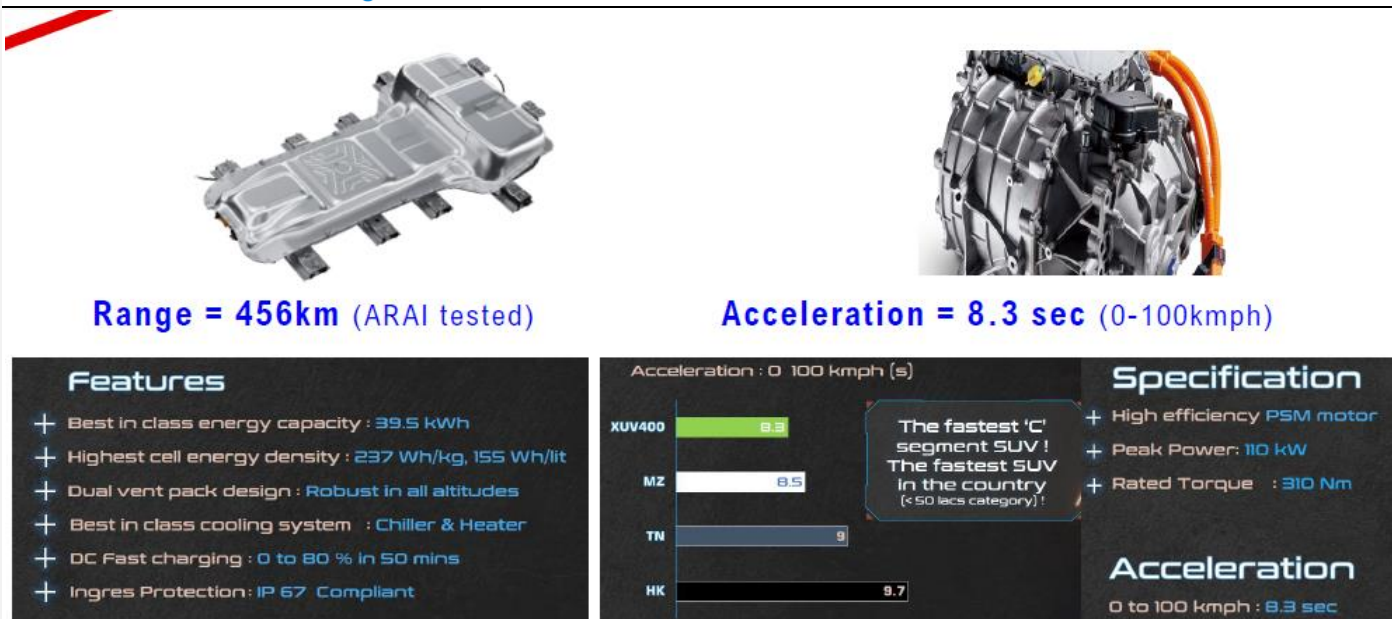
Source: Company, PL

Exhibit 3: XUV400 specs compared with competition



Source: Company, PL

Exhibit 4: Performance and range features of XUV400



Source: Company, PL

Exhibit 5: M&M upcoming EV portfolio



Source: Company, PL

Exhibit 6: Key Assumptions – PV and Pick-up to drive growth in FY24

In units	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
SUV	222,541	233,915	235,362	179,405	155,530	223,682	322,020	369,476	392,943
YoY gr.	-2%	5%	1%	-24%	-13%	44%	44%	15%	6%
Pick-up	156,497	172,643	196,458	164,229	138,963	159,550	189,369	208,306	224,971
YoY gr.	5%	10%	14%	-16%	-15%	15%	19%	10%	8%
Tractors	263,177	319,623	330,436	301,915	354,498	354,698	373,315	400,030	424,885
YoY gr.	23%	21%	3%	-9%	17%	0%	5%	7%	6%
Others	128,249	142,627	176,212	134,260	58,188	82,369	99,203	118,446	130,978
YoY gr.	11%	11%	24%	-24%	-57%	42%	20%	19%	11%
Total volumes	770,464	868,808	938,468	779,809	707,179	820,299	983,908	1,096,258	1,173,777
YoY gr.	9%	13%	8%	-17%	-9%	16%	20%	11%	7%
Avg realisation (Rs)	537,051	547,617	563,133	575,341	630,314	703,212	744,254	769,092	783,887
YoY gr.	-7%	2%	3%	2%	10%	12%	6%	3%	2%

Source: Company, PL

Exhibit 7: SOTP valuation – Core business is 80% of value

	Jun-24
Core business value ex subsidiary dividend (@ 18x PE on FY24E EPS)	1,115
Value of the subsidiaries	
Tech Mahindra Limited	224
Mahindra & Mahindra Financial Services Limited	108
Mahindra Holidays & Resorts India Limited	17
Mahindra Logistics Limited	17
CIE Automotive Spain	16
Mahindra CIE	9
Other subsidiaries	16
Total value of the subsidiaries	407
Value post 30% holding discount	285
Target price	1,400

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	5,74,460	7,32,277	8,43,124	9,20,109
YoY gr. (%)	28.7	27.5	15.1	9.1
Cost of Goods Sold	4,23,416	5,32,365	6,07,049	6,53,277
Gross Profit	1,51,044	1,99,912	2,36,075	2,66,832
Margin (%)	26.3	27.3	28.0	29.0
Employee Cost	33,060	41,008	45,950	49,686
Other Expenses	47,562	61,847	67,837	74,031
EBITDA	70,423	97,057	1,22,288	1,43,115
YoY gr. (%)	1.2	37.8	26.0	17.0
Margin (%)	12.3	13.3	14.5	15.6
Depreciation and Amortization	24,511	27,219	29,895	32,867
EBIT	45,912	69,838	92,392	1,10,248
Margin (%)	8.0	9.5	11.0	12.0
Net Interest	2,230	2,357	2,357	2,289
Other Income	20,759	20,162	21,200	22,820
Profit Before Tax	62,355	87,643	1,11,236	1,30,778
Margin (%)	10.9	12.0	13.2	14.2
Total Tax	13,002	21,473	26,975	31,714
Effective tax rate (%)	20.9	24.5	24.3	24.3
Profit after tax	49,352	66,171	84,261	99,065
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	51,439	66,171	84,261	99,065
YoY gr. (%)	26.3	28.6	27.3	17.6
Margin (%)	9.0	9.0	10.0	10.8
Extra Ord. Income / (Exp)	(2,087)	-	-	-
Reported PAT	49,352	66,171	84,261	99,065
YoY gr. (%)	401.5	34.1	27.3	17.6
Margin (%)	8.6	9.0	10.0	10.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	49,352	66,171	84,261	99,065
Equity Shares O/s (m)	1,197	1,197	1,197	1,197
EPS (Rs)	43.0	55.3	70.4	82.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	3,16,042	3,56,042	3,96,042	4,36,042
Tangibles	3,16,042	3,56,042	3,96,042	4,36,042
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,70,556	1,97,776	2,27,671	2,60,538
Tangibles	1,70,556	1,97,776	2,27,671	2,60,538
Intangibles	-	-	-	-
Net fixed assets	1,45,486	1,58,267	1,68,371	1,75,504
Tangibles	1,45,486	1,58,267	1,68,371	1,75,504
Intangibles	-	-	-	-
Capital Work In Progress	50,182	47,673	45,289	43,025
Goodwill	-	-	-	-
Non-Current Investments	1,72,078	1,76,973	1,82,016	1,87,210
Net Deferred tax assets	(17,008)	(17,858)	(18,751)	(19,689)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	79,021	79,021	79,021	79,021
Inventories	58,829	68,212	69,298	75,625
Trade receivables	30,351	38,119	41,579	45,375
Cash & Bank Balance	36,505	70,395	1,21,838	1,84,895
Other Current Assets	44,293	50,937	61,124	73,349
Total Assets	6,71,303	7,52,338	8,40,689	9,46,982
Equity				
Equity Share Capital	5,983	5,983	5,983	5,983
Other Equity	3,83,627	4,35,438	5,04,144	5,86,456
Total Network	3,89,610	4,41,421	5,10,127	5,92,439
Non-Current Liabilities				
Long Term borrowings	58,408	57,962	57,493	57,001
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	8,927	9,374	9,842	10,335
Trade payables	1,28,935	1,50,468	1,61,695	1,76,459
Other current liabilities	68,414	75,256	82,781	91,059
Total Equity & Liabilities	6,71,303	7,52,338	8,40,689	9,46,982

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	64,441	87,643	1,11,236	1,30,778
Add. Depreciation	24,511	27,219	29,895	32,867
Add. Interest	2,230	2,357	2,357	2,289
Less Financial Other Income	20,759	20,162	21,200	22,820
Add. Other	(22,846)	(20,162)	(21,200)	(22,820)
Op. profit before WC changes	68,336	97,057	1,22,288	1,43,115
Net Changes-WC	(11,958)	(3,605)	(5,392)	(10,130)
Direct tax	(10,491)	(20,622)	(26,082)	(30,776)
Net cash from Op. activities	45,888	72,830	90,814	1,02,209
Capital expenditures	(37,970)	(42,387)	(42,659)	(42,930)
Interest / Dividend Income	-	-	-	-
Others	20,759	20,162	21,200	22,820
Net Cash from Invt. activities	(17,211)	(22,224)	(21,459)	(20,109)
Issue of share cap. / premium	4,568	-	-	-
Debt changes	(10,528)	-	-	-
Dividend paid	(13,821)	(14,359)	(15,556)	(16,752)
Interest paid	(2,230)	(2,357)	(2,357)	(2,289)
Others	-	-	-	-
Net cash from Fin. activities	(22,010)	(16,716)	(17,913)	(19,042)
Net change in cash	6,666	33,890	51,443	63,058
Free Cash Flow	7,077	35,339	53,198	64,474

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	1,33,054	1,52,388	1,71,240	1,96,126
YoY gr. (%)	14.8	8.4	28.2	66.7
Raw Material Expenses	96,808	1,13,931	1,30,755	1,50,240
Gross Profit	36,246	38,457	40,485	45,887
Margin (%)	27.2	25.2	23.6	23.4
EBITDA	16,598	18,058	19,455	23,410
YoY gr. (%)	(19.3)	(24.3)	(0.5)	43.5
Margin (%)	12.5	11.9	11.4	11.9
Depreciation / Depletion	5,807	6,312	6,805	6,806
EBIT	10,792	11,746	12,651	16,604
Margin (%)	8.1	7.7	7.4	8.5
Net Interest	425	533	558	698
Other Income	11,048	5,233	2,387	2,386
Profit before Tax	18,865	16,447	15,727	17,882
Margin (%)	14.2	10.8	9.2	9.1
Total Tax	4,548	2,916	2,808	3,581
Effective tax rate (%)	24.1	17.7	17.9	20.0
Profit after Tax	14,317	13,531	12,919	14,302
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	16,867	13,531	11,672	14,711
YoY gr. (%)	28.6	(22.5)	17.0	57.5
Margin (%)	12.7	8.9	6.8	7.5
Extra Ord. Income / (Exp)	(2,550)	-	1,248	(410)
Reported PAT	14,317	13,531	12,919	14,302
YoY gr. (%)	785.1	154.9	426.9	67.2
Margin (%)	10.8	8.9	7.5	7.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,317	13,531	12,919	14,302
Avg. Shares O/s (m)	1,197	1,197	1,197	1,197
EPS (Rs)	14.1	11.3	9.8	12.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	43.0	55.3	70.4	82.8
CEPS	63.5	78.0	95.4	110.3
BVPS	325.6	368.9	426.3	495.1
FCF	5.9	29.5	44.5	53.9
DPS	11.6	12.0	13.0	14.0
Return Ratio(%)				
RoCE	10.4	14.5	17.0	17.8
ROIC	11.1	15.8	20.4	23.5
RoE	13.9	15.9	17.7	18.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	(25)	(22)	(22)	(22)
Valuation(x)				
PER	30.2	23.5	18.4	15.7
P/B	4.0	3.5	3.0	2.6
P/CEPS	20.4	16.6	13.6	11.8
EV/EBITDA	21.4	15.1	11.6	9.5
EV/Sales	2.6	2.0	1.7	1.5
Dividend Yield (%)	0.9	0.9	1.0	1.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Tractor Volumes	3,54,698	3,73,315	4,00,030	4,24,885
Auto volumes	4,65,601	6,10,593	6,96,228	7,48,892

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Aug-22	BUY	1,400	1,236
2	31-Jul-22	BUY	1,400	1,164
3	31-Jul-22	BUY	1,400	1,164
4	25-Jul-22	BUY	1,380	1,181
5	08-Jul-22	BUY	1,155	1,133
6	31-May-22	BUY	1,155	998
7	11-Apr-22	BUY	1,042	857
8	11-Feb-22	BUY	1,015	853
9	12-Jan-22	BUY	1,004	839
10	10-Nov-21	BUY	1,061	892

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	177	154
2	Bajaj Auto	Hold	4,120	3,884
3	Bharat Forge	BUY	900	736
4	CEAT	UR	-	1,122
5	Eicher Motors	BUY	3,400	3,155
6	Endurance Technologies	BUY	1,700	1,493
7	Exide Industries	UR	-	145
8	Hero Motocorp	BUY	3,130	2,762
9	InterGlobe Aviation	Hold	1,900	1,977
10	Mahindra & Mahindra	BUY	1,400	1,236
11	Maruti Suzuki	BUY	9,500	8,658
12	Tata Motors	BUY	535	444
13	TVS Motors	BUY	950	868

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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