

Mahindra & Mahindra

Growth momentum likely to remain strong

M&M Q4 adjusted PAT at INR 19.3bn came in above our estimate of INR 16.2bn due to higher-than-expected revenue and lower tax rate, even as its operational performance was in line with our estimates. M&M's performance highlights for FY23 are: (1) No. 1 in SUVs revenue market share at 19.1% (+370bps YoY); (2) market leader in LCVs (<3.5T) with 520bps improvement to 45.5%; (3) FES market share up 120bps YoY to 41.2%; (4) market leader in EV 3Ws with 67.6% share. Also, it is commendable that M&M has already achieved most of the targets it earmarked a couple of years back, including improvement in auto margins, EPS CAGR, RoE at 18% (stands at 19.9% for FY23), calibrated asset allocation, etc. We continue to remain positive on the business momentum, given: (1) a strong order backlog for UVs will help further gain market share; (2) the target to further increase its market share in tractors on the back of new launches; (3) focused strides taken to achieve a strong position in EVs; (4) continuing focus on careful capital allocation; (5) challenge set for growth gems to grow 5x. Maintain BUY, with a revised TP of INR1,617/sh (earlier at INR1,554/share) as we roll forward to FY25 EPS.

- Q4 PAT beats estimates:** EBITDA margin came in line with our estimate at 12.4%. While the auto segment margin improved 190bps YoY (+100bps QoQ) to 7.3%, the FES segment margin improved 100bps YoY (flat QoQ) to 16.7%. M&M posted an exceptional loss of INR 5.1bn in Q4, largely on account of a write-off at Peugeot Motorcycles. Adjusted PAT grew 66% YoY to INR 19.3bn, ahead of our estimate of INR 16.2bn, also aided by a lower tax rate.
- Achievements vs targets so far:** (1) The auto and farm segments (AFS) has delivered a two-year revenue CAGR of 34% vs the target of 15-20% CAGR. (2) Achieved leadership in revenue market share in UVs at 19% in FY23. (3) Gained 400bps market share over two years in the SCV segment (<3.5T segment) to 45.5%. (4) Gained 300bps market share in two years in the tractors segment to 41.2%. (5) Delivered RoE of 19.9% for FY23 vs the target of 18%.
- Looking to raise the bar: FES focus initiatives include:** (1) Target to continue to grow market share on the back of the (a) launch of Swaraj light-weight platform (25-29 HP segment) on 2 June for application in the sprayer and inter culture, (b) launch of Mahindra Oja on 15 Aug (both in India and globally), (c) launch of new design under the Swaraj brand in five states, (d) channel expansion. (2) Target to rapidly scale up farm machinery (10x by FY26) and international business (1.6x by FY26). **Auto focus initiatives include:** (1) Continue to rebuild market share in the SUV segment on the back of strong order backlog and new launches, both in ICE and EV categories. (2) Maintain strong leadership in the SCV segment (<3.5 T) (3) Scale up international operations by 2.5x by FY26. **Target Initiatives for ex-AFS segments include:** (1) Unlock the full potential in key subsidiaries like Mahindra Finance and Tech Mahindra (target for 300 bps margin improvement). (2) Challenge for growth gems to grow 5x from here.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	2,25,714	1,71,240	31.8	2,16,537	4.2	5,74,460	8,49,603	9,32,054	10,35,256
EBITDA	27,974	19,455	43.8	28,142	-0.6	70,423	1,04,424	1,21,167	1,34,583
APAT	19,329	11,672	65.6	19,997	-3.3	50,917	74,778	82,196	89,827
Diluted EPS (INR)	16.1	9.7	65.6	16.7	-3.3	42.4	62.3	68.5	74.9
P/E (x)						30.2	20.6	18.7	17.1
EV / EBITDA (x)						22.2	14.7	12.8	11.3
RoCE (%)						14.1	19.9	19.5	19.2

Source: Company, HSIE Research

BUY

CMP (on 26 May 23)	INR 1,282
Target Price	INR 1,617
NIFTY	18,499

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,554	INR 1,617
EPS %	FY24E	FY25E
	0.0%	0.0%

KEY STOCK DATA

Bloomberg code	MM IN
No. of Shares (mn)	1,244
MCap (INR bn) / (\$ mn)	1,594/19,491
6m avg traded value (INR mn)	2,924
52 Week high / low	INR 1,397/915

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.1	1.7	37.9
Relative (%)	(5.0)	1.3	22.7

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	19.39	19.37
FIs & Local MFs	27.42	27.66
FPIs	39.16	39.24
Public & Others	14.03	13.73
Pledged Shares	0.01	0.01

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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