

May 29, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,585		1,560	
Sales (Rs. m)	9,74,847	10,81,809	9,55,996	10,56,787
% Chng.	2.0	2.4		
EBITDA (Rs. m)	1,25,268	1,48,208	1,24,757	1,46,518
% Chng.	0.4	1.2		
EPS (Rs.)	71.3	84.5	71.5	84.6
% Chng.	(0.2)	(0.1)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. bn)	574	850	975	1,082
EBITDA (Rs. bn)	70	104	125	148
Margin (%)	12.3	12.3	12.9	13.7
PAT (Rs. bn)	51	77	85	101
EPS (Rs.)	43.0	64.3	71.3	84.5
Gr. (%)	26.1	49.5	11.0	18.4
DPS (Rs.)	11.6	16.3	18.0	20.0
Yield (%)	0.9	1.3	1.4	1.6
RoE (%)	13.9	18.7	18.4	18.9
RoCE (%)	10.4	15.5	17.3	18.6
EV/Sales (x)	2.6	1.7	1.5	1.3
EV/EBITDA (x)	21.1	14.0	11.7	9.7
PE (x)	29.8	19.9	18.0	15.2
P/BV (x)	3.9	3.5	3.1	2.7

Key Data

MAHM.BO | MM IN

52-W High / Low	Rs.1,397 / Rs.915
Sensex / Nifty	62,502 / 18,499
Market Cap	Rs.1,594bn / \$ 19,305m
Shares Outstanding	1,244m
3M Avg. Daily Value	Rs.2945.41m

Shareholding Pattern (%)

Promoter's	19.37
Foreign	39.24
Domestic Institution	27.65
Public & Others	13.74
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.6	1.7	37.9
Relative	1.9	1.3	19.7

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Market share gains continues

Quick Pointers:

- Automotive order book of ~292k units vs 266k in 3Q.
- Tractor industry to witness low single digit growth in FY24.

M&M's 4QFY23 revenue came above our and consensus estimate, led by higher-than-expected ASPs (at Rs 809k, +5.3% QoQ). However, EBITDA margin at 12.4% came below our estimate of 12.8%, due to higher mix of auto segment and impact from farm machinery in FES segment. Management noted that commodity costs have softened and should support margins, but noted that semiconductor shortage continues to impact volumes at around c3k unit per month. MM guided for low single digit growth in tractors led by positive enablers and government spending, furthermore, it aims to grow its farm machinery sales 10x by 2027 (c38% growth in FY23).

M&M should benefit, given (1) growing customer preference for SUV, (2) capacity ramp-up to fulfill strong order book, (3) market share gains in the tractor industry, (4) strong response to EV portfolio (XUV400). Also, benign RM, operating leverage and end of volume of introductory priced model would benefit margins (we built-in 140bps expansion over FY23-25E). Our EPS estimates remain largely unchanged. Retain 'BUY' with TP of Rs 1,585 (18x on Mar-25E core EPS and Rs 331 for subsidiaries).

- 4QFY23 financial performance: (1) Standalone:** Mahindra & Mahindra revenue at Rs 226bn grew by 4.2% QoQ and beat PLe (Rs. 214.4bn) and BBG estimates (BBGe) (Rs. 218.8bn) led by higher realization at automotive segment. EBITDA margin at 12.4% contracted by c60bps QoQ and came below PLe (12.8%) and BBGe (12.7%). Gross margins improved by 100bps QoQ while other expenses were higher than expected. APAT at Rs. 20.6bn beat PLe (Rs. 16.4bn) and BBGe (Rs. 16.5bn) led by higher other income and lower taxes. **(2) Automotive segment:** Revenue grew 11% QoQ, on higher volumes and realization. EBIT margin expanded to 7.3% (+c60bps QoQ). **(3) Farm segment:** Revenue de-grew by 11% QoQ on lower volumes partially offset by higher realisation, EBIT margin at 16.7% grew by 10bps QoQ largely offset by higher contribution from farm machinery segment.
- Key takeaways: (1) Farm Equipment:** M&M noted that El Nino won't be affecting tractor sales as other positive factors like good reservoir levels, good Rabi crop, improving terms of trade for farmers, increased spending in rural India to help the industry. They expect low single digit growth in tractor industry for FY24, and aim to gain market share. MM has launched "Naya Swaraj" with upgraded engine, ergonomics and power. MM will launch "OJA" based on global tractor platform to push exports markets and enhance portfolio; MM plans to increase export volumes by 1.6x by FY26. Farm machinery saw a growth of 38% YoY with 16.5% MS in rotavators and has launched medium segment Rotavator for further growth. **(2) Automotive Segment:** Orderbook stands strong at 292k bookings compared to 266k in 3QFY23 largely led by increase in Thar and XUV400. Cancellations at 8% has increased slightly from 5-7% cited in 3QFY23. Semiconductor issue still persistent with a loss of c3k units per month. In LCV <3.5 tonns launched Bolero Maxx to consolidate leadership. E-3W Q4 Market share at 67%. MM has increased capex outlay by Rs. 16bn towards capacity enhancement and regulatory upgradations.

Exhibit 1: SOTP valuation

	Basis	(x)	M&M's holding	Dec-24 TP
Core business value excl subsidiary dividend	P/E	18		1,254
Subsidiaries value				
Tech Mahindra Limited	CMP		28.3%	231
Mahindra & Mahindra Financial Services Limited	PL target price		52.3%	151
Mahindra Holidays & Resorts India Limited	CMP		67.5%	22
Mahindra Logistics Limited	CMP		58.2%	13
CIE Automotive Spain	CMP		7.8%	20
Mahindra CIE	CMP		11.4%	17
Other subsidiaries	CMP			20
Total value of the subsidiaries				473
Value post 30% holding discount				331
Target price				1,585

Source: Company, PL

Exhibit 2: Q4FY23 Result Overview (Rs mn)

Y/e March	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Revenues	2,25,714	1,71,240	31.8	2,16,537	4.2	8,48,479	5,75,412	47.5
Raw Materials	1,69,219	1,30,755	29.4	1,64,471	2.9	6,44,697	4,24,114	52.0
<i>% of Net Sales</i>	<i>75.0</i>	<i>76.4</i>		<i>76.0</i>		<i>76.0</i>	<i>73.7</i>	
Personnel	9,490	7,461	27.2	9,342	1.6	36,419	33,113	10.0
<i>% of Net Sales</i>	<i>4.2</i>	<i>4.4</i>		<i>4.3</i>		<i>4.3</i>	<i>5.8</i>	
Manufacturing & Other Exp	19,031	13,568	40.3	14,583	30.5	62,864	47,788	31.5
<i>% of Net Sales</i>	<i>8.4</i>	<i>7.9</i>		<i>6.7</i>		<i>7.4</i>	<i>8.3</i>	
Total Expenditure	1,97,740	1,51,784	30.3	1,88,395	5.0	7,43,980	5,05,014	47.3
EBITDA	27,974	19,455	43.8	28,142	(0.6)	1,04,499	70,398	48.4
<i>EBITDA Margin (%)</i>	<i>12.4</i>	<i>11.4</i>		<i>13.0</i>		<i>12.3</i>	<i>12.2</i>	
Depreciation	8,385	6,805	23.2	8,292	1.1	31,396	24,645	27.4
EBIT	19,589	12,651	54.8	19,851	(1.3)	73,103	45,753	59.8
Interest Expenses	698	558	25.0	686	1.8	2,723	2,238	21.7
Non-operating income	3,339	2,387	39.9	6,700	(50.2)	25,559	20,660	23.7
Extraordinary Income	-5,118	1,248	(510.2)	-6,289	(18.6)	-14,295	-2,087	585.1
PBT	17,111	15,727	8.8	19,576	(12.6)	81,643	62,089	31.5
Tax-Total	1,621	2,808	(42.3)	4,296	(62.3)	15,892	12,942	22.8
<i>Tax Rate (%) - Total</i>	<i>9.5</i>	<i>17.9</i>		<i>21.9</i>		<i>19.5</i>	<i>20.8</i>	
Reported PAT	15,490	12,919	19.9	15,281	1.4	65,752	49,147	33.8
Adj. PAT	20,608	11,672	76.6	21,569	(4.5)	80,047	51,233	56.2
<i>PAT Margin</i>	<i>9.1</i>	<i>6.8</i>		<i>10.0</i>		<i>9.4</i>	<i>8.9</i>	

Source: Company, PL

Exhibit 3: Operating Metrics

Y/e March	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Sales Volume (nos)	2,79,064	2,28,784	22.0	2,81,859	(1.0)	11,08,419	8,20,295	35.1
Net Realisation/Vehicle	8,08,825	7,48,478	8.1	7,68,247	5.3	7,65,486	7,01,469	9.1
Material cost / vehicle	6,06,382	5,71,521	6.1	5,83,521	3.9	5,81,637	5,17,026	12.5
Gross Profit / vehicle	2,02,443	1,76,957	14.4	1,84,726	9.6	1,83,849	1,84,444	(0.3)
Employee cost /vehicle	34,007	32,613	4.3	33,145	2.6	32,856	40,367	(18.6)
Other expenses / vehicle	68,195	59,306	15.0	51,737	31.8	56,715	58,257	(2.6)
EBITDA/vehicle	1,00,241	85,038	17.9	99,845	0.4	94,277	85,820	9.9
Net Profit/vehicle	73,847	51,015	44.8	76,525	(3.5)	72,217	62,457	15.6

Source: Company, PL

Exhibit 4: Segmental Breakup (Rs mn)

	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Automotive								
Volumes	1,89,333	1,55,902	21.4	1,76,094	7.5	7,00,874	4,65,597	50.5
Realisations	8,66,207	7,74,312	11.9	8,40,263	3.1	8,33,229	7,66,606	8.7
Revenue	1,64,001	1,20,717	35.9	1,47,965	10.8	5,83,988	3,56,929	63.6
EBIT	11,903	6,748	76.4	9,896	20.3	37,720	13,217	185.4
EBIT margin %	7.3	5.6	167 bps	6.7	57 bps	6.5	3.7	276 bps
Farm equipment's								
Volumes	89,731	72,882	23.1	1,05,765	(15.2)	4,07,545	3,54,698	14.9
Realisations	6,22,340	5,93,735	4.8	5,93,549	4.9	5,91,070	5,57,286	6.1
Revenue	55,843	43,273	29.0	62,777	(11.0)	2,40,888	1,97,668	21.9
EBIT	9,317	6,778	37.5	10,393	(10.4)	39,529	35,799	10.4
EBIT margin %	16.7	15.7	102 bps	16.6	13 bps	16.4	18.1	-170 bps

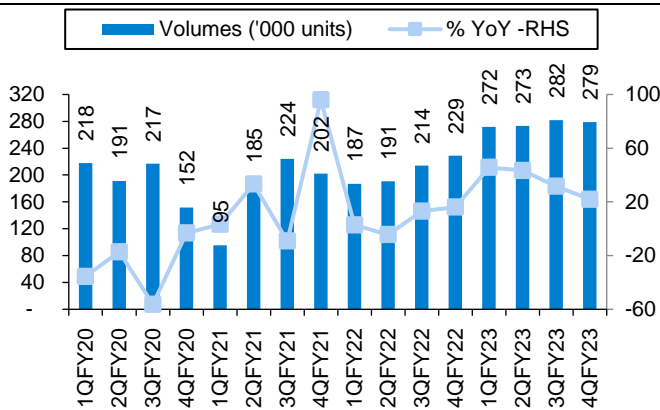
Source: Company, PL

Exhibit 5: Key Assumptions

In units	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
SUV	2,22,541	2,33,915	2,35,362	1,79,405	1,55,530	2,23,682	3,59,369	4,46,093	5,06,102
YoY gr.	-2%	5%	1%	-24%	-13%	44%	61%	24%	13%
Pick-up	1,56,497	1,72,643	1,96,458	1,64,229	1,38,963	1,59,550	2,17,776	2,29,648	2,41,779
YoY gr.	5%	10%	14%	-16%	-15%	15%	36%	5%	5%
Tractors	2,63,177	3,19,623	3,30,436	3,01,915	3,54,498	3,54,698	4,07,545	4,21,032	4,42,084
YoY gr.	23%	21%	3%	-9%	17%	0%	15%	3%	5%
Others	1,28,249	1,42,627	1,76,212	1,34,260	58,188	82,369	1,21,427	1,34,859	1,46,684
YoY gr.	11%	11%	24%	-24%	-57%	42%	47%	11%	9%
Total volumes	7,70,464	8,68,808	9,38,468	7,79,809	7,07,179	8,20,299	11,06,117	12,31,632	13,36,649
YoY gr.	9%	13%	8%	-17%	-9%	16%	35%	11%	9%
Avg realisation (Rs)	5,37,051	5,47,617	5,63,133	5,75,341	6,30,314	7,04,555	7,70,246	7,91,508	8,09,344
YoY gr.	-7%	2%	3%	2%	10%	12%	9%	3%	2%

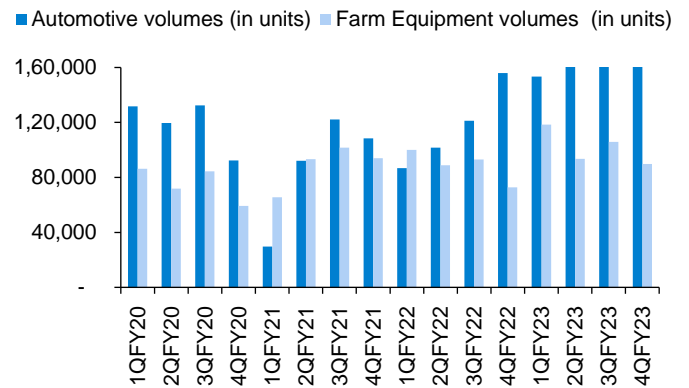
Source: Company, PL

Exhibit 6: Volume growth over Quarters



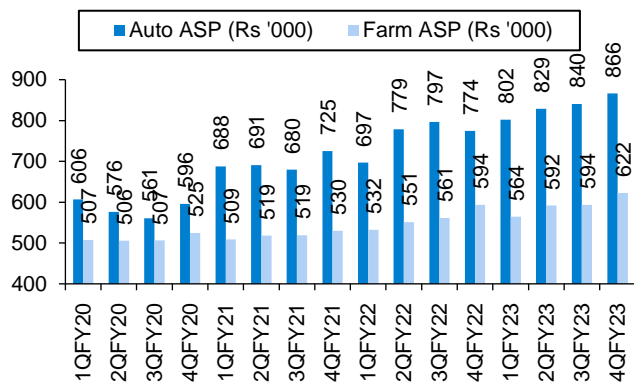
Source: Company, PL

Exhibit 7: Growth in Volm on the back of new launches



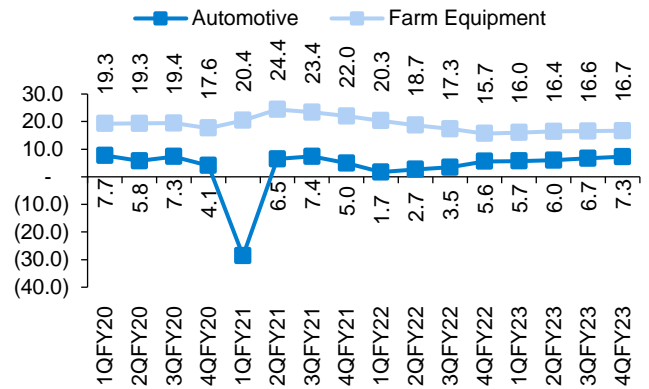
Source: Company, PL

Exhibit 8: Realization Improvements over Quarters



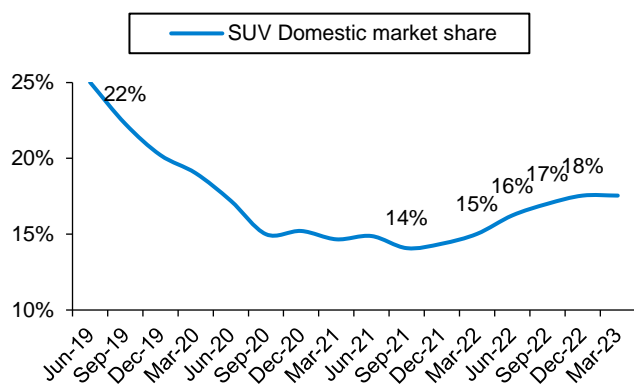
Source: Company, PL

Exhibit 9: Segmental EBIT Margins



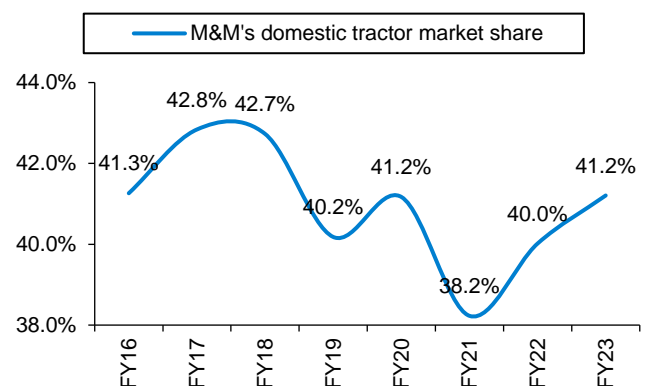
Source: Company, PL

Exhibit 10: SUV Domestic Market Share



Source: SIAM, PL

Exhibit 11: Market share gains in the tractor segment



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	5,74,460	8,49,603	9,74,847	10,81,809
YoY gr. (%)	28.7	47.9	14.7	11.0
Cost of Goods Sold	4,23,416	6,45,582	7,36,984	8,08,111
Gross Profit	1,51,044	2,04,020	2,37,863	2,73,698
Margin (%)	26.3	24.0	24.4	25.3
Employee Cost	33,060	36,499	41,918	46,518
Other Expenses	47,562	63,098	70,676	78,972
EBITDA	70,423	1,04,424	1,25,268	1,48,208
YoY gr. (%)	1.2	48.3	20.0	18.3
Margin (%)	12.3	12.3	12.9	13.7
Depreciation and Amortization	24,511	31,545	35,898	39,216
EBIT	45,912	72,879	89,370	1,08,992
Margin (%)	8.0	8.6	9.2	10.1
Net Interest	2,230	2,728	2,312	2,312
Other Income	20,759	25,452	26,862	28,253
Profit Before Tax	62,355	81,308	1,13,920	1,34,933
Margin (%)	10.9	9.6	11.7	12.5
Total Tax	13,002	15,821	28,480	33,733
Effective tax rate (%)	20.9	19.5	25.0	25.0
Profit after tax	49,352	65,486	85,440	1,01,200
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	51,439	77,000	85,440	1,01,200
YoY gr. (%)	26.3	49.7	11.0	18.4
Margin (%)	9.0	9.1	8.8	9.4
Extra Ord. Income / (Exp)	(2,087)	(11,514)	-	-
Reported PAT	49,352	65,486	85,440	1,01,200
YoY gr. (%)	401.5	32.7	30.5	18.4
Margin (%)	8.6	7.7	8.8	9.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	49,352	65,486	85,440	1,01,200
Equity Shares O/s (m)	1,197	1,198	1,198	1,198
EPS (Rs)	43.0	64.3	71.3	84.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	3,16,042	3,71,863	4,25,863	4,80,863
Tangibles	3,16,042	3,71,863	4,25,863	4,80,863
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,70,556	2,02,101	2,37,998	2,77,214
Tangibles	1,70,556	2,02,101	2,37,998	2,77,214
Intangibles	-	-	-	-
Net fixed assets	1,45,486	1,69,762	1,87,864	2,03,648
Tangibles	1,45,486	1,69,762	1,87,864	2,03,648
Intangibles	-	-	-	-
Capital Work In Progress	50,182	27,846	26,454	25,131
Goodwill	-	-	-	-
Non-Current Investments	1,72,078	1,93,625	2,21,336	2,27,710
Net Deferred tax assets	(17,008)	(14,703)	(15,438)	(16,210)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	79,021	79,021	79,021	79,021
Inventories	58,829	88,814	93,478	1,03,735
Trade receivables	30,351	40,417	48,075	53,349
Cash & Bank Balance	36,505	44,818	43,868	76,152
Other Current Assets	44,293	54,373	65,248	78,297
Total Assets	6,71,303	7,57,798	8,33,336	9,25,234
Equity				
Equity Share Capital	5,983	5,991	5,991	5,991
Other Equity	3,83,627	4,27,577	4,91,451	5,68,689
Total Network	3,89,610	4,33,567	4,97,441	5,74,680
Non-Current Liabilities				
Long Term borrowings	58,408	25,997	25,997	25,997
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	8,927	24,258	24,258	24,258
Trade payables	1,28,935	1,71,456	1,73,603	1,77,832
Other current liabilities	68,414	87,817	96,598	1,06,258
Total Equity & Liabilities	6,71,303	7,57,798	8,33,336	9,25,234

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	64,441	81,308	1,13,920	1,34,933
Add. Depreciation	24,511	31,545	35,898	39,216
Add. Interest	2,230	2,728	2,312	2,312
Less Financial Other Income	20,759	25,452	26,862	28,253
Add. Other	(22,846)	(11,156)	(26,862)	(28,253)
Op. profit before WC changes	68,336	1,04,424	1,25,268	1,48,208
Net Changes-WC	(11,958)	7,227	(21,137)	(24,891)
Direct tax	(10,491)	(18,127)	(27,745)	(32,961)
Net cash from Op. activities	45,888	93,525	76,386	90,355
Capital expenditures	(37,970)	(55,032)	(80,319)	(60,051)
Interest / Dividend Income	-	-	-	-
Others	20,759	11,156	26,862	28,253
Net Cash from Inv. activities	(17,211)	(43,876)	(53,458)	(31,798)
Issue of share cap. / premium	4,568	(2,059)	-	-
Debt changes	(10,528)	(17,080)	-	-
Dividend paid	(13,821)	(19,469)	(21,566)	(23,962)
Interest paid	(2,230)	(2,728)	(2,312)	(2,312)
Others	-	-	-	-
Net cash from Fin. activities	(22,010)	(41,337)	(23,878)	(26,274)
Net change in cash	6,666	8,312	(949)	32,284
Free Cash Flow	7,077	60,040	23,778	36,678

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	1,96,126	2,10,101	2,16,537	2,25,714
YoY gr. (%)	66.7	57.9	41.1	31.8
Raw Material Expenses	1,50,240	1,60,768	1,64,471	1,69,219
Gross Profit	45,887	49,333	52,067	56,495
Margin (%)	23.4	23.5	24.0	25.0
EBITDA	23,410	24,973	28,142	27,974
YoY gr. (%)	43.5	50.5	56.1	43.8
Margin (%)	11.9	11.9	13.0	12.4
Depreciation / Depletion	6,806	7,913	8,292	8,385
EBIT	16,604	17,060	19,851	19,589
Margin (%)	8.5	8.1	9.2	8.7
Net Interest	698	641	686	698
Other Income	2,386	13,134	6,700	3,339
Profit before Tax	17,882	27,074	19,576	17,111
Margin (%)	9.1	12.9	9.0	7.6
Total Tax	3,581	6,394	4,296	1,621
Effective tax rate (%)	20.0	23.6	21.9	9.5
Profit after Tax	14,302	20,680	15,281	15,490
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	14,711	23,159	21,569	20,608
YoY gr. (%)	57.5	37.3	61.5	76.6
Margin (%)	7.5	11.0	10.0	9.1
Extra Ord. Income / (Exp)	(410)	(2,479)	(6,289)	(5,118)
Reported PAT	14,302	20,680	15,281	15,490
YoY gr. (%)	67.2	44.4	14.4	19.9
Margin (%)	7.3	9.8	7.1	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,302	20,680	15,281	15,490
Avg. Shares O/s (m)	1,197	1,197	1,197	1,197
EPS (Rs)	12.3	19.4	18.0	17.2

Source: Company Data, PL Research

Key Financial Metrics

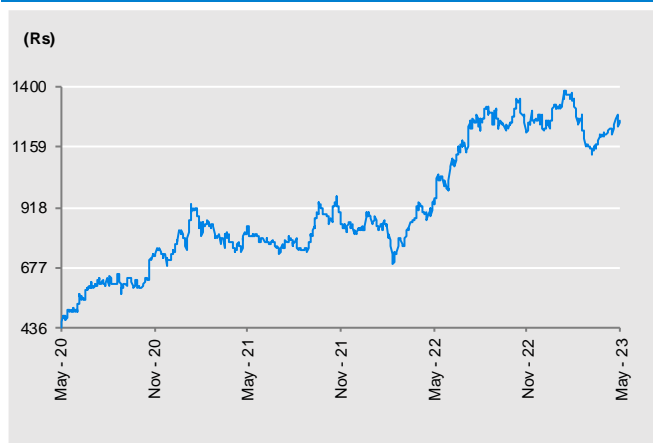
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	43.0	64.3	71.3	84.5
CEPS	63.5	90.6	101.3	117.2
BVPS	325.6	361.9	415.2	479.7
FCF	5.9	50.1	19.8	30.6
DPS	11.6	16.3	18.0	20.0
Return Ratio(%)				
RoCE	10.4	15.5	17.3	18.6
ROIC	11.1	16.9	17.1	19.0
RoE	13.9	18.7	18.4	18.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.1)	(0.2)
Net Working Capital (Days)	(25)	(18)	(12)	(7)
Valuation(x)				
PER	29.8	19.9	18.0	15.2
P/B	3.9	3.5	3.1	2.7
P/CEPS	20.2	14.1	12.7	10.9
EV/EBITDA	21.1	14.0	11.7	9.7
EV/Sales	2.6	1.7	1.5	1.3
Dividend Yield (%)	0.9	1.3	1.4	1.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Tractor Volumes	3,54,698	4,07,545	4,21,032	4,42,084
Auto volumes	4,65,601	6,98,572	8,10,600	8,94,565

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	1,560	1,202
2	13-Feb-23	BUY	1,560	1,365
3	05-Jan-23	BUY	1,560	1,236
4	14-Nov-22	BUY	1,500	1,287
5	06-Oct-22	BUY	1,500	1,262
6	13-Sep-22	BUY	1,400	1,297
7	07-Aug-22	BUY	1,400	1,236
8	31-Jul-22	BUY	1,400	1,164
9	31-Jul-22	BUY	1,400	1,164
10	25-Jul-22	BUY	1,380	1,181

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	215	150
2	Bajaj Auto	Hold	4,130	4,342
3	Bharat Forge	BUY	940	760
4	CEAT	Accumulate	1,800	1,717
5	Eicher Motors	BUY	4,030	3,404
6	Endurance Technologies	BUY	1,670	1,385
7	Exide Industries	UR	-	185
8	Hero Motocorp	BUY	3,200	2,547
9	Mahindra & Mahindra	BUY	1,560	1,202
10	Maruti Suzuki	BUY	10,300	8,507
11	Tata Motors	BUY	605	516
12	TVS Motor Company	BUY	1,300	1,169

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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