MOTILAL OSWAL
FINANCIAL SERVICES

TOP PICK 2024

02 January 2024

Update | Sector: Automobiles

Mahindra & Mahindra

BSE SENSEX	S&P CNX
71,892	21,666

CMP: INR1,656 TP: INR2,005 (+21%) Buy

Well poised to outperform across all its verticals

Assigning incremental value of INR214/share to its EV subsidiary

We have categorized Mahindra and Mahindra (MM)'s core businesses into three buckets: Tractor, Pickup UV, and Passenger UV. All of these businesses witnessed a sharp growth in their underlying industries, resulting in record-high volumes in FY23. While the industry dynamics remained favorable for MM, its focus on- i) new model launches, ii) healthy margin expansion in the core business, and iii) prudent capital allocation resulted in an earnings CAGR of ~11% over FY19-23. This coupled with expected launches in the EV category led a substantial re-rating. As a result, MM has outperformed the Nifty index significantly over the last two years with ~44% CAGR vis-à-vis 12% for the Nifty. While we believe that growth should moderate in some of its verticals, MM is still better placed to outperform the underlying segments, which would result in ~12.5%/15%/17% revenue/EBITDA/ PAT CAGR over FY23-26E. The implied core P/E for MM stands at 18.1x/16.4x FY24E/FY25E EPS, which remains attractive vs. peers. Hence, we reiterate our BUY rating with a TP of INR2,005 based on Dec'25E SOTP and INR214/share for its ePV subsidiary.

Well placed to outperform in the PV segment:

- We believe domestic PV volumes should report 6-7% CAGR over FY23-26E. However, this will largely be driven by the outperformance in SUV volumes and execution of the current order backlog.
- MM's reorientation of its SUV business to maintain its DNA and brand positioning has led to a revival in its fortunes and has resulted in a robust demand momentum for its SUVs. This has led to a strong order backlog as production is unable to keep up with demand, providing visibility of sustained volume traction over the next 3-4 quarters. This, we believe, should drive ~14% volume CAGR for MM Passenger SUV over FY23-26E.

To capitalize on market leadership in the 2.0-3.5T LCV category:

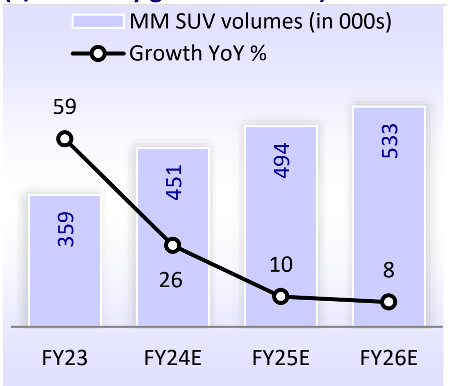
- The domestic LCV industry is likely to reach its peak volumes in FY24, with an estimated volume growth of ~3% YoY. Over the last few years, the volume of pickups (2.0-3.5T) has exceeded that of lower tonnage LCVs. The share of the 2.0-3.5T segment within the LCV good carrier category has increased to 62% in 1HFY24 from 52% in FY20.
- Given the current scenario, we do not expect any significant growth in industry volumes for LCVs, and it is likely to witness a low single-digit growth in the coming years. However, in the growing 2.0-3.5T goods segment, MM has a market share of ~62.5% (vs. ~56.8% in FY21). This makes MM better poised to outperform in the LCV category by capitalizing on its market leadership in most of the segments.

Mahindra Rise.

Stock Info

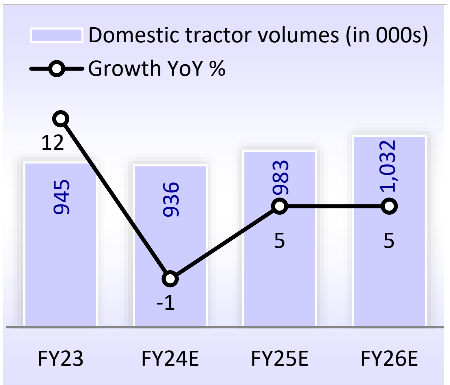
Bloomberg	MM IN
Equity Shares (m)	1198
M.Cap.(INRb)/(USDb)	2059.5 / 24.7
52-Week Range (INR)	1758 / 1123
1, 6, 12 Rel. Per (%)	-5/1/12
12M Avg Val (INR M)	3692
Free float (%)	81.1

MM's SUV volumes are anticipated to post ~14% CAGR over FY23-26E (v/s industry growth of 5-6%)



Source: Company, MOFSL

Tractor volumes are estimated to grow 3% CAGR over FY23-FY26E



Source: Company, MOFSL

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FY25 likely to be a positive year for the domestic tractor industry:

- FY24 has been a challenging year for the industry due to headwinds such as a mismatch in Navratri festivities and lower monsoon that led to reduced crop production. As a result, industry volumes have declined ~3% YTD. We estimate tractor industry to decline by 1% YoY in FY24E due to the above factors.
- We believe FY25 should be a better year for the tractor industry in terms of volume growth, thanks to healthier reservoir levels and favorable festive timings. We expect MM's tractor volumes to report ~3% CAGR over FY23-26, driven by an anticipated recovery in the tractor industry in FY25, new launches in the light weight tractor category (OJA and Swaraj), and growth in the exports market.

EVs – we assign an incremental value of INR214/share for its ePV subsidiary:

- MM has entered into a binding agreement with Temasek to invest INR12b in the form of Compulsory Convertible Preference Shares (CCPS) at a valuation of up to INR805.8b. This would result in Temasek's ownership of a 1.49% to 2.97% in Mahindra Electric Automotive Limited (MEAL). Earlier, British International Investment (BII) had committed to invest INR19.25b in MEAL for its ownership of 2.75% to 4.76%. Moreover, MM has earmarked INR100b for both of its subsidiaries: i) MEAL and ii) Last Mile Mobility (LMM).
- These steps have been taken as a part of a broader strategy to attract marquee investors and achieve 20-30% of its SUV sales from EVs by 2030. Considering these investments, we arrive at a valuation of INR545.5b for MEAL (~94% stake of M&M) and assign an incremental value of INR214/sh for the ePV subsidiary business applying a 50% Hold Co discount.

Valuation & View:

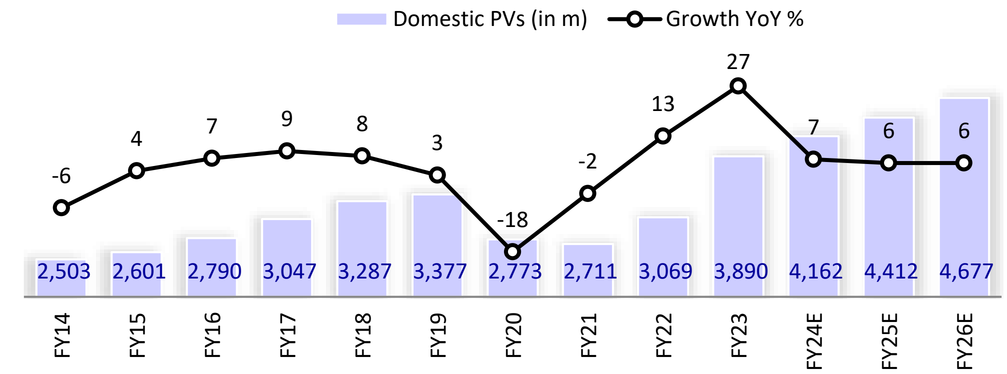
- We maintain our FY24/25 EPS estimates. We expect the Auto business to be the key growth driver for the next couple of years. Despite the deterioration in mix, we estimate a revenue/EBITDA/PAT CAGR of ~12.5%/ 15%/17% over FY23-26. The implied core P/E for MM stands at 18.8x/17.1x FY24E/FY25E EPS.
- While the valuation is still attractive vs. peers, MM has seen a substantial re-rating in FY23 and the stock is now trading in line with its five-year average core P/E (as against a discount of 30% earlier). The reduction in discount to LPA reflects a strong performance in the SUV segment, market share gains in tractors, and new EV launch pipeline. **We reiterate our BUY rating with a TP of INR2,005 (based on Dec'25E SOTP).**

Automotive: MM well placed to outperform the domestic PV segment

Domestic PVs to post ~6% volume CAGR over FY23-26E led by growth in SUVs

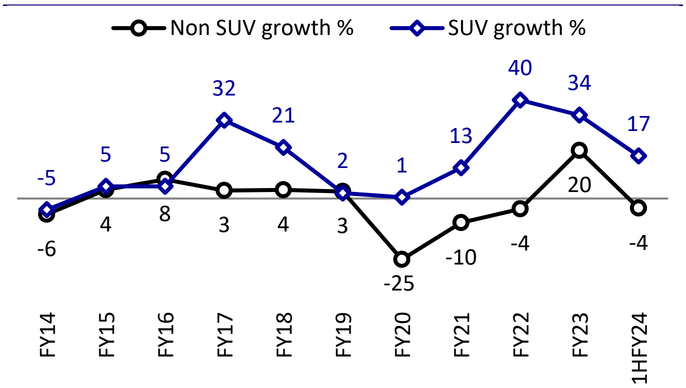
- Domestic PV volumes grew ~27% YoY in FY23, and this momentum carried over in 1HFY24, with volumes growing ~7% YoY. Nonetheless, there was a notable variation in the growth rate between SUV and non-SUV volumes. While SUV sales jumped ~17% YoY in 1HFY24, non-SUV volumes declined ~4% YoY.
- SUV preferences are not just a transient trend, they have also been a long-term one. The SUV volumes experienced a ~14% CAGR over the last 10 years (FY13-23), whereas the non-SUV segment reported ~1% compounded decline. This led to an increase in the SUV mix to ~56% in 1HFY24 from ~20% in FY13 (vs. ~48%/51% in FY22/23). The rising demand for SUVs is attributable to increasing disposable income, urbanization, better availability of finance, and new launches by almost all the major OEMs.
- We believe domestic PV volumes should grow ~7% YoY in FY24E, followed by a 6% YoY growth over FY25-26E. However, this will largely be driven by the outperformance in SUV volumes, as structural drivers for a shift towards SUVs remain intact. This coupled with execution of a strong order book and expected new product launches would help drive the outperformance.

Exhibit 1: Domestic PV volumes likely to witness ~6% CAGR over FY23-26E



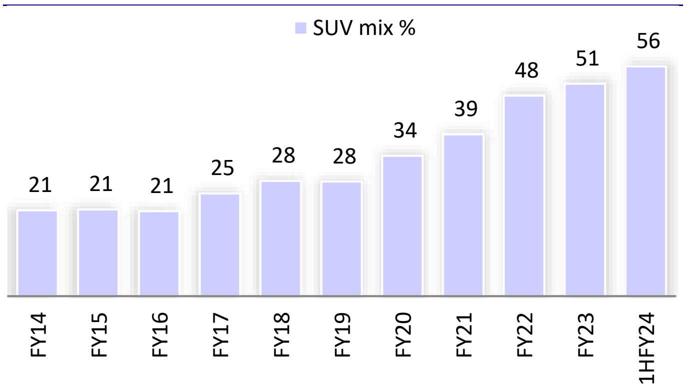
Source: SIAM, MOFSL

Exhibit 2: SUVs outperformed domestic PVs over the years...



Source: SIAM, MOFSL

Exhibit 3: ...leading to improving SUV mix at 56% by 1HFY24



Source: SIAM, MOFSL

M&M: New SUV launches likely over the next two years

XUV300 Facelift	4QFY24
Bolero NEO Plus	4QFY24
XUV400	4QFY24
Thar 5-door	1QFY25
XUV900	1QFY25
Next-gen Bolero	3QFY25

Source: Industry

New launches driving recovery for MM amid intensifying competition

- MM used to be the market leader in the domestic SUV space until FY17, with ~29% market share. However, in FY18, we witnessed a ramp-up in demand for various SUV models from competitors such as MSIL's Vitara Brezza, Hyundai's Creta, and new launches like TTMT's Nexon. This was followed by the entry of new players such as Kia and MG in India, resulting in a decline in MM's market share to ~15% in FY22.
- However, driven by new launches such as Thar, New Scorpio, and XUV700, MM witnessed a sharp recovery in market share to 18%/19% by FY23/1HFY24. It has become the market leader in domestic SUV space with ~29% share in terms of revenue and the second largest in terms of volume.
- The company had ~286k units of open bookings as of Nov'23. Its new launches, including the Scorpio-N (~119k bookings), Thar (~76k), and XUV700 (~70k), have received a great response. Despite improvement in supply chain, its order book remains stable with a cancellation rate of less than 8%.

Exhibit 4: Overall market share trend in the domestic PV industry

Market share trend %	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	1HFY24
Maruti	43	45	47	48	50	51	51	48	43	41	42
Hyundai	15	16	17	17	16	16	18	17	15	14	13
M&M	10	10	9	8	8	8	7	6	7	9	10
Tata Motors	8	6	5	6	6	7	5	8	12	14	14
Kia	0	0	0	0	0	0	3	6	6	7	6
Toyota	5	5	5	5	4	4	4	3	4	4	5
Honda	5	7	7	5	5	5	4	3	3	2	2
Others	13	10	10	12	10	8	9	9	9	8	7

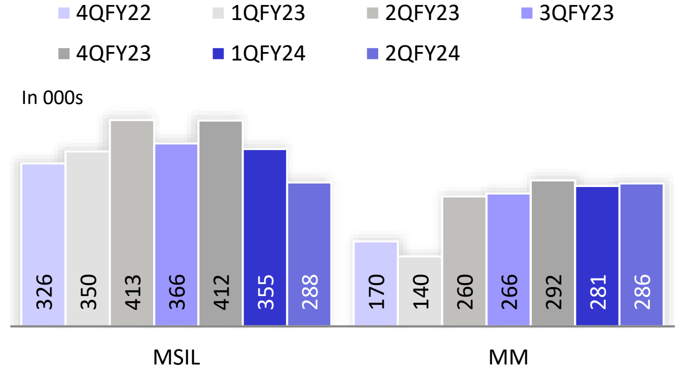
Source: SIAM, MOFSL

Exhibit 5: MM witnessed a recovery in market share led by new model launches

Domestic UVs market share %	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	1HFY24
Maruti	12	12	16	26	28	28	25	22	20	18	27
Hyundai	0	0	11	13	12	13	19	20	17	15	14
M&M	**42**	**38**	**39**	**29**	**26**	**25**	**19**	**15**	**15**	**18**	**19**
Tata Motors	5	4	3	2	6	8	6	8	15	18	15
Toyota	14	15	12	12	11	11	7	6	7	7	7
Kia	0	0	0	0	0	0	9	15	13	13	10
Others	27	30	18	17	18	14	15	14	14	11	8

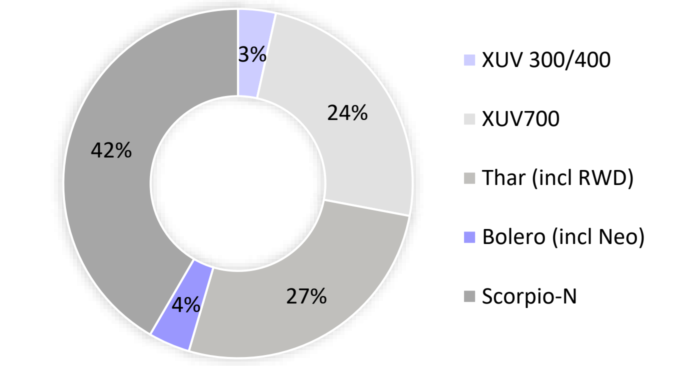
Source: SIAM, MOFSL

Exhibit 6: Orderbook for MM remains stable vis-à-vis MSIL



Source: Company, MOFSL

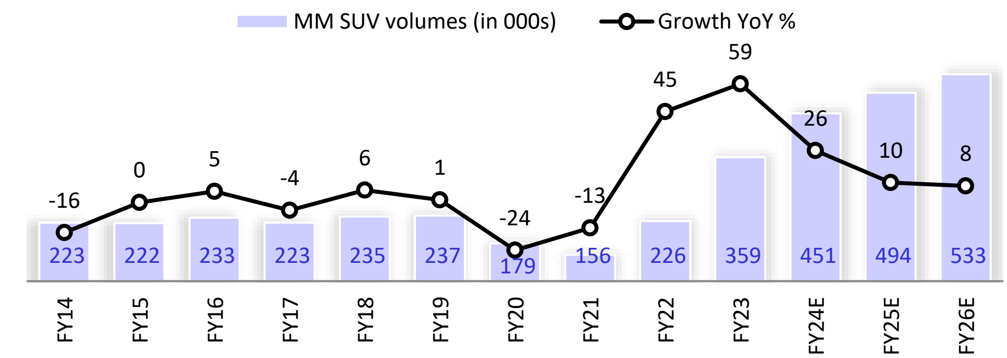
Exhibit 7: Share of overall bookings as of 2QFY24



Source: Company, MOFSL

- MM's reorientation of its SUV business to maintain its DNA and brand positioning has led to a revival in its fortunes and has resulted in a robust demand momentum for its SUVs. This has led to a strong order backlog as production is unable to keep up with demand, providing visibility of sustained volume traction over the next 3-4 quarters.
- The new product cycle is not very aggressive, at least in the ICE category. However, execution of the current order book and healthy demand in the SUV category are expected to drive ~14% volume CAGR for MM's Passenger UVs over FY23-26. This is likely to outperform the domestic PV volume CAGR of ~6% over the same period.

Exhibit 8: MM's SUV volumes are anticipated to post ~14% CAGR over FY23-26E, and likely to outperform the domestic PV industry volume CAGR of 5-6%

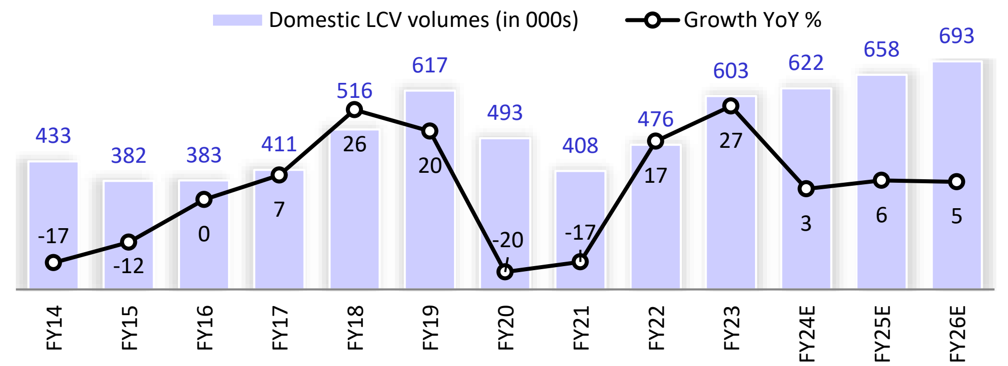


Source: Company, MOFSL

LCVs: To capitalize on market leadership in expanding the 2.0-3.5T category

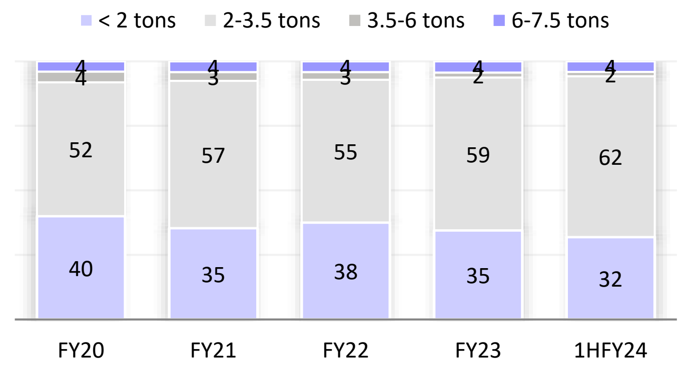
- The domestic LCV industry is likely to reach its peak volumes in FY24, with an estimated volume growth of ~3% YoY, after rising ~26% YoY in FY23. Domestic volumes are estimated to be ~622k units in FY24, up from the previous peak of ~617k units in FY19.
- Pickups (2.0-3.5T) have exceeded lower tonnage LCVs in usage as they are more versatile in their use and may run on intercity routes to suit a range of transportation demands. As a result, the share of 2.0-3.5T segment within the LCVs good carrier category has increased to 62% in 1HFY24 from 52% in FY20.
- MM continues to maintain its market leadership in the LCV category with a market share of ~43% in 1HFY24. It has a dominant position in the LCV goods carrier segment with a share of 47% (vs. 39% in FY21). The company launched the all-new Bolero Maxx pik-up in FY23 to further consolidate its leadership position in the LCV category. In the 2.0-3.5T ton goods segment, it has a market share of ~62.5%, which increased from ~56.8% in FY21. The company has strengthened its position in some of the southern states, especially in the lower category pickup segment.

Exhibit 9: Domestic LCV volumes expected to record ~5% CAGR over FY23-26



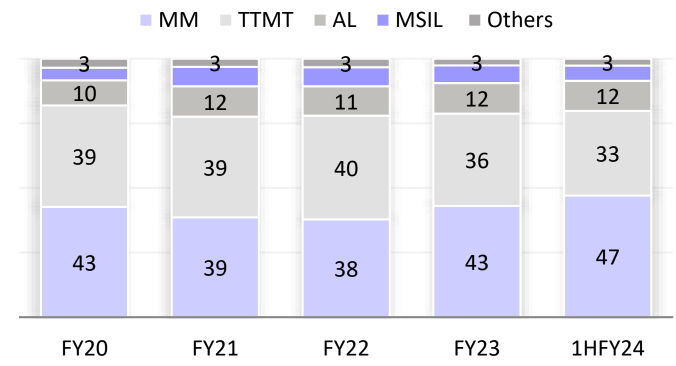
Source: SIAM, MOFSL

Exhibit 10: LCV goods carrier segment mix – the 2.0-3.5T category has risen to ~62% in 1HFY24 from ~52% in FY20



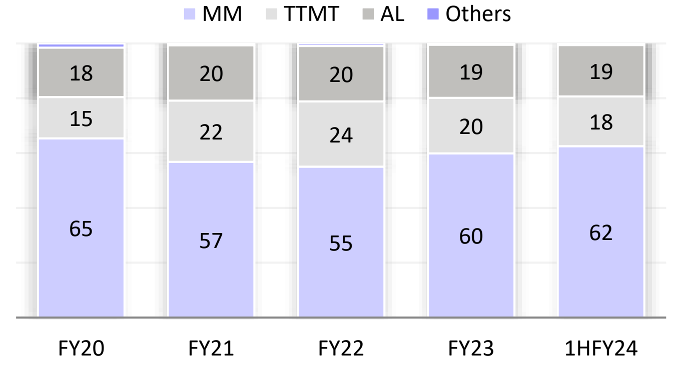
Source: SIAM, MOFSL

Exhibit 11: Market share of MM within the LCV good carrier segment has increased to 47% in 1HFY24



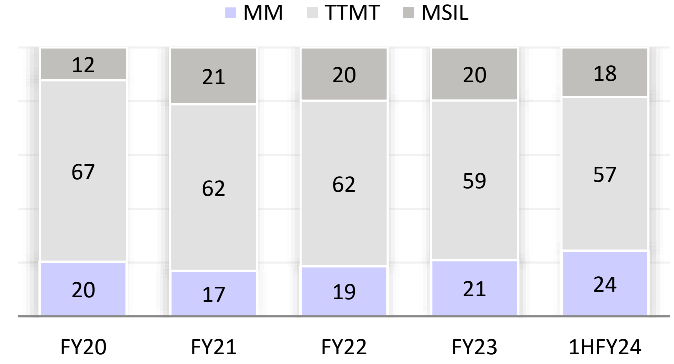
Source: SIAM, MOFSL

Exhibit 12: Market share of 2.0-3.5T goods carrier – MM has witnessed a healthy recovery led by new launches



Source: SIAM, MOFSL

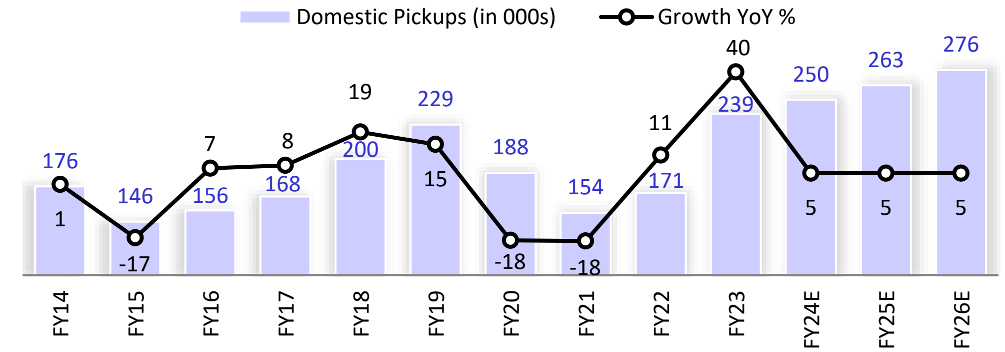
Exhibit 13: Market share of <2.0T good carrier – MM's share increased to 24% in 1HFY24



Source: SIAM, MOFSL

- LCVs should continue to benefit from the emergence of the 'Hub and Spoke' model. However, we believe volume growth for LCVs should remain under control in the coming period due to the higher base of FY23 and slower recovery in rural markets. Hence, we expect 3-5% CAGR for LCVs over FY23-26.
- MM enjoys more than 45% market share in Cargo LCV and over 60% share in the 2.0-3.5T segment. We estimate a 5% volume CAGR over FY23-25 for the domestic pickup/LCV (<3.5T category) segment.

Exhibit 14: M&M's domestic pickup volumes expected to post ~5% CAGR over FY23-26



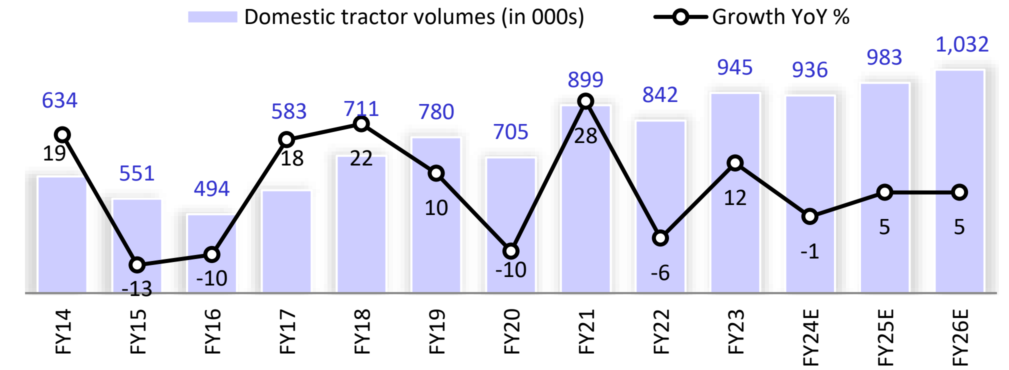
Source: Company, MOFSL

Tractors: FY24 likely to a see a decline due multiple headwinds

FY24YTD retails down ~3% YoY due to festive mismatch and weak agri sentiment

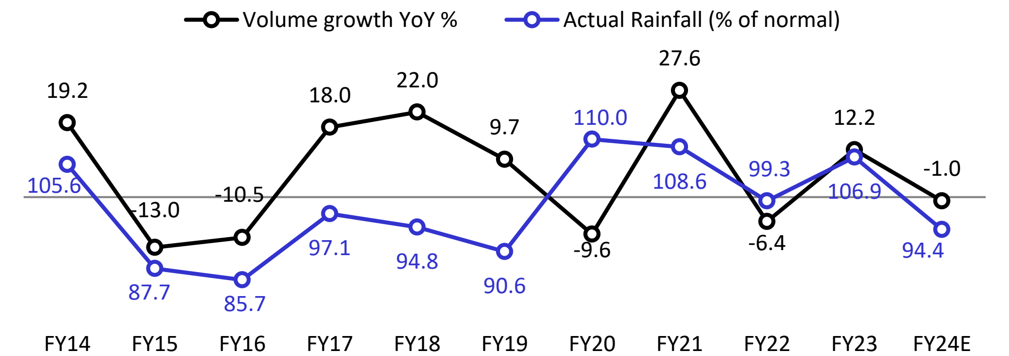
- FY24 has been a challenging year for the industry due to headwinds such as a mismatch in Chaitra Navratri festivities and lower rainfall that led to reduced crop production. Chaitra Navratri is a prominent period for tractor demand, especially in states such as MH, MP, UP, etc. The year has witnessed only one Navratri period vis-à-vis three periods in FY23. This resulted in lower industry volumes by 30-40k units.
- Monsoon has a direct correlation with the tractor industry volume growth as evidenced historically. FY23 witnessed one of the highest rainfalls (107% of the average) over the last 10 years, which was the key reason behind ~27% YoY growth in tractor volumes. However, FY24 is likely to witness lower rainfall, i.e., ~94% of the normal. This is likely to hit tractor demand for the year.
- The effect of lower monsoon hurt the overall crop production as well. Production of major agriculture crops such as rice, coarse cereals, etc. is expected to decline by a healthy double digit in FY24.
- We believe FY25 should be a better year for the tractor industry in terms of volume growth, thanks to healthier reservoir levels and favorable festive timings. We anticipate the tractor industry volumes to grow ~5% YoY in FY25, slightly lower than the 6% volume CAGR over FY13-23.

Exhibit 15: Due to multiple headwinds, domestic tractor volume to see a decline in FY24E



Source: Industry, MOFSL

Exhibit 16: Correlation between tractor's volume growth and actual rainfall



Source: Industry, MOFSL

Exhibit 17: MSPs for key produces have reported a 3-8% CAGR over the last five years, benefitting the farm income

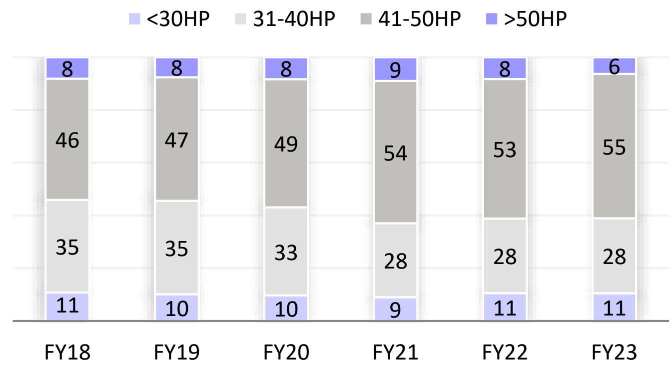
(Rabi)-INR/Qtl	Wheat	Barley	Gram	Lentil	Mustard	Safflower	(Kharif)-INR/Qtl	Paddy,	Jowar,	Bajra	Maize	Ragi	Arhar
FY19	1840	1440	4620	4475	4200	4945	FY19	1750	2430	1950	1700	2897	5675
FY20	1925	1525	4875	4800	4425	5215	FY20	1815	2550	2000	1760	3150	5800
FY21	1975	1600	5100	5100	4650	5327	FY21	1868	2620	2150	1850	3295	6000
FY22	2015	1635	5230	5500	5050	5441	FY22	1940	2738	2250	1870	3377	6300
FY23	2125	1735	5335	6000	5450	5650	FY23	2040	2970	2350	1962	3578	6600
FY24	2275	1850	5440	6425	5650	5800	FY24	2183	3180	2500	2090	3846	7000

Source: Industry, MOFSL

New launches in the light weight category to strengthen MM's position

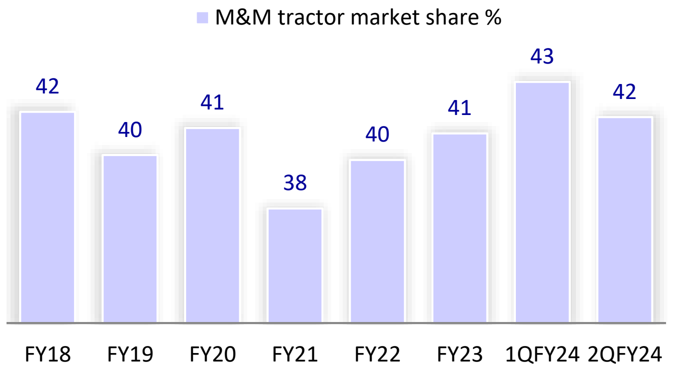
- The size of the <30HP tractor category is ~50k units, wherein the company has a lower presence. MM currently commands ~30% market share in the category vs. its overall market share of 42%.
- With the launch of OJA and Swaraj in the category, MM aims to reinforce its presence in the light weight category as well. This may further help MM outperform the overall industry.
- MM launched seven models in India under OJA platform, based on Three Technology Packs – MYOJA (Intelligence Pack), PROJA (Productivity Pack) and ROBOJA (Automation Pack) – in the price range of INR564.5k to INR735k.
- Our interactions with channel partners suggest that the models provide some best-in-segment features and this will help MM strengthen its presence in the category along with its other range of products, Jivo and Yuvraj. However, pricing of OJA 3140 appears higher than peers and traction will be seen in limited regions for that specific model.

Exhibit 18: The share of 41-50HP tractor in the domestic industry has increased to 55% from 46%



Source: Industry, MOFSL

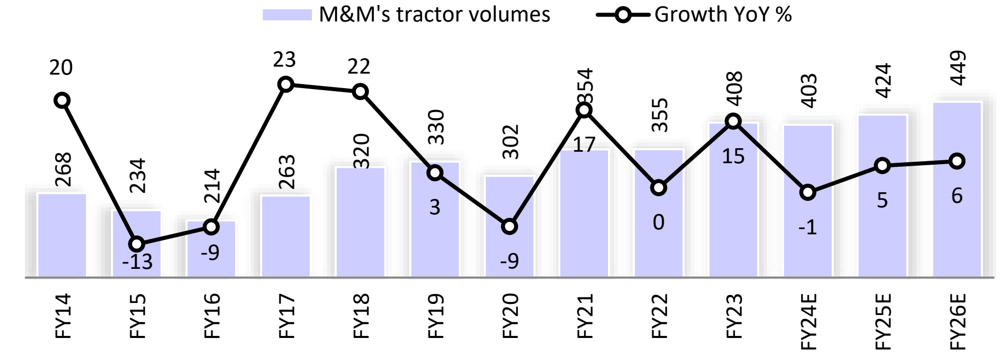
Exhibit 19: Gradual market share improvement from FY22



Source: SIAM, MOFSL

- We expect MM's tractor volumes to post ~3% CAGR over FY23-26, driven by an anticipated recovery in the tractor industry in FY25, new launches in the light weight tractor category (OJA and Swaraj), and growth in the exports market.
- MM has ambitious plans to grow its nascent farm equipment business by 10x in FY27. It will invest INR10-15b over the next few years for: a) acquisitions and, ii) expanding capacities. However, ramp-up in this segment would adversely impact the company's overall margins.

Exhibit 20: MM's tractor volumes are likely to register 3% CAGR over FY23-26E

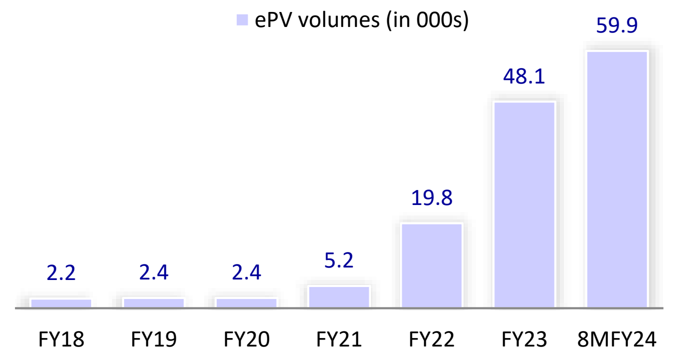


Source: Company, MOFSL

EVs: We assign an incremental value of INR214/sh for its ePV subsidiary

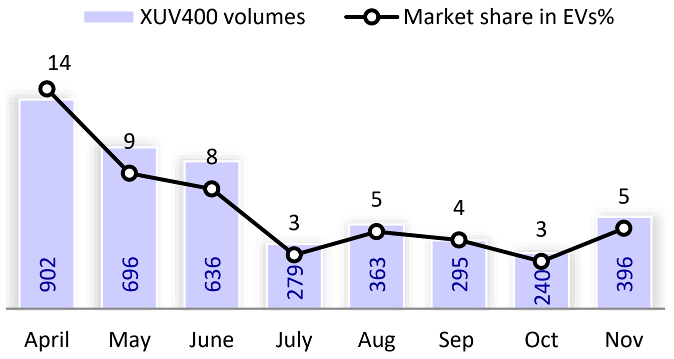
- The company has set up two subsidiaries: i) MEAL and ii) LMM to grow in the electric SUV and LCV domains. The company has earmarked investments of INR100b towards both these subsidiaries over a horizon of 7-8 years.
- MM aims to reach an EV penetration of 20-30% by FY27 in SUVs. It has unveiled a new state-of-the-art EV platform INGLO and five new production-ready e-SUVs under its two EV brands – Mahindra Twin Peaks and BE.
- It has already launched XUV400 last year in 4QFY23. However, the initial response had not been encouraging as the model reported sales of just 350-400 units so far in FY24. The company is likely to launch an upgrade to the XUV400 model in 4QFY24.
- MM has entered into a binding agreement with Temasek to invest INR12b in the form of Compulsory Convertible Preference Shares (CCPS) at a valuation of up to INR805.8b. This would result in Temasek's ownership of a 1.49% to 2.97% in Mahindra Electric Automotive Limited (MEAL). The derived valuation is ~15% higher than the previous investment of BII. Earlier, BII had committed to invest INR19.25b in MEAL for its ownership of 2.75% to 4.76%.
- These steps have been taken as a part of a broader strategy to attract marquee investors that understand EV business and bring in valuable insights. This is in line with MM's strategy of strengthening its global strategic partnerships and targeting 20-30% of its SUV sales from EVs by 2030.
- Considering these investments, we arrive at a valuation of INR545.5b for MEAL (~94% stake of M&M) and assign an incremental value of INR214/sh for the ePV subsidiary business applying a 50% Hold Co discount.

Exhibit 21: E-PV volumes have grown multifold over the last five years; however, penetration is still at <3%



Source: Industry, MOFSL

Exhibit 22: XUV400 has not been able to create a dominant position in the domestic EV market

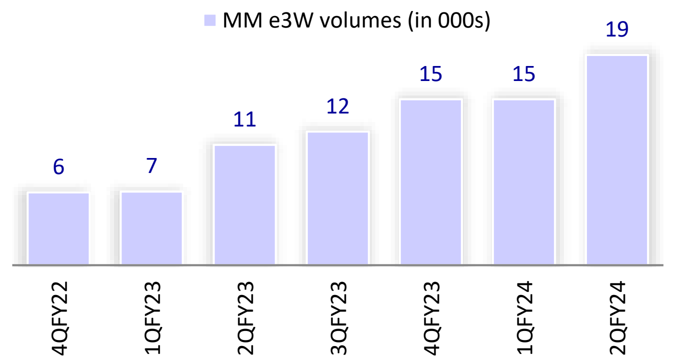


Source: SIAM, MOFSL

Exhibit 23: MM aims to launch five new BEV products through its new EV platform INGLO

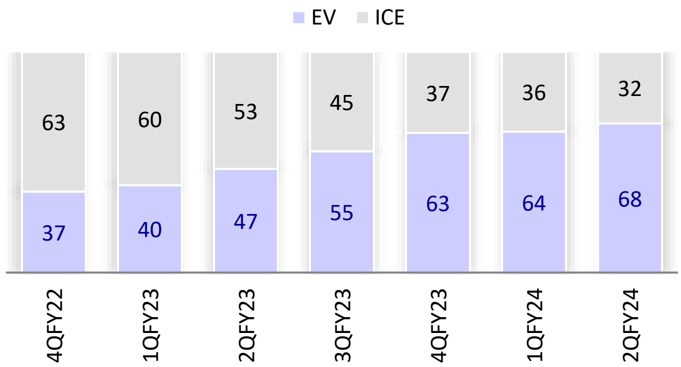
Source: Company, MOFSL

Exhibit 24: MM's e3W volumes continue to grow sequentially and now commands ~63% market share in the segment



Source: Company, MOFSL

Exhibit 25: MM – EV mix stood at 68% in the overall 3W volumes in 2QFY24



Source: Company, MOFSL

Valuation and view

- **Best rural proxy with all the three core businesses likely to report a healthy growth in FY25**: MM has one of the highest exposures to the rural market (~65% of volumes), which is likely to recover considering the rural cash flows. We have categorized MM's core businesses into three buckets: Tractor, Pickup UV, and Passenger UV. Tractor growth is expected to remain stable in FY24. UVs are on a strong footing in terms of outlook, MM's competitive positioning, and industry-level consolidation. Its SUV business is firing on all cylinders thanks to the blockbuster launches and improving supply chain.
- **FY24E tractor industry to see a decline; M&M would be inline with the industry:** FY24 has been a challenging year for the industry due to headwinds such as a mismatch in Navratri festivities and lower monsoon that led to reduced crop production. As a result, industry volumes have declined ~3% YTD. We believe FY25 should be a better year for the tractor industry in terms of volume growth due to better demand prospects. Hence, we estimate MM’s tractor volumes to decline 1% YoY in FY24, while volumes should grow 5% YoY in FY25E. Moreover, MM’s focus on lightweight tractors should also help the company outperform its peers.
- **MM’s positioning in LCVs to strengthen further:** Domestic LCV industry is expected to reach its peak volumes in FY24 with an estimated volume growth of ~3% YoY. Given the current scenario, we do not expect any significant growth in industry volumes for LCVs and it is likely to witness a low-to-mid-single digit growth in the coming years. However, MM enjoys more than 40% market share in Cargo LCV and over 55% in the 2.0-3.5t segment. We estimate a 5% volume CAGR over FY23-26 for the company.
- **Recovery in the SUV segment to continue, led by successful new launches:** MM’s reorientation of its SUV business to maintain its DNA and brand positioning has led to a revival in its fortunes and has resulted in a robust demand momentum for its SUVs. This has led to a strong order backlog as production is unable to keep up with demand, providing visibility of sustained volume traction over the next 3-4 quarters. However, there are no new ICE launches in the next 12 months, except for variants and refreshes. We expect a 15% volume CAGR in Passenger UVs over FY23-26 for the company.
- **EVs – we assign an incremental value of INR214/share for its ePV subsidiary:** MM has entered into a binding agreement with Temasek to invest INR12b in the form of CCPS at a valuation of up to INR805.8b. This would result in Temasek’s ownership of a 1.49% to 2.97% in Mahindra Electric Automotive Limited (MEAL). Earlier, BII had committed to invest INR19.25b in MEAL for its ownership of 2.75% to 4.76%. We assign an incremental value of INR214/share for the ePV subsidiary business at a valuation of INR545.5b (~94% stake of M&M), applying 50% Hold Co discount.
- **Valuation and view:** We maintain our FY24/25 EPS estimates. We expect the Auto business to be the key growth driver for the next couple of years. Despite the deterioration in mix, we estimate a revenue/EBITDA/PAT CAGR of ~12.5%/ 15%/17% over FY23-26. The implied core P/E for MM stands at 18.1x/16.4x FY24E/FY25E EPS.

- While the valuation is still attractive vs. peers, MM has seen a substantial re-rating in FY23 and the stock is now trading in line with its five-year average core P/E (as against a discount of 30% earlier). The reduction in discount to LPA reflects a strong performance in the SUV segment, market share gains in tractors, and new EV launch pipeline. **We reiterate our BUY rating with a TP of INR2,005 (based on Dec'25E SOTP).**

Exhibit 26: SoTP valuation

SOTP (INR/sh)	FY24E	FY25E	FY26E
Tractors	530	573	630
Autos	640	714	786
Value of ePV business (50% HoldCo discount)	214	214	214
Value of Core Business	**1384**	**1501**	**1629**
Value of subs post hold-co discount	406	406	406
- Tech Mahindra	212	212	212
- MMFSL	118	118	118
- Mah. Lifespaces	10	10	10
- Mah. Holidays	23	23	23
- Mah. Logistics	12	12	12
- Others	31	31	31
Fair Value (INR/sh)	**1790**	**1907**	**2035**
Dec-25 TP	**2005**		

Source: MOFSL

Exhibit 27: Snapshot of the revenue model (Standalone)

000 units	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Tractors	**330**	**302**	**354**	**355**	**408**	**403**	**424**	**449**
Growth (%)	*3.4*	*-8.6*	*17.4*	*0.1*	*14.9*	*-1.0*	*5.0*	*6.0*
% of total volumes	*35.2*	*38.8*	*50.2*	*43.2*	*36.8*	*32.6*	*31.9*	*31.5*
Autos								
Pick-up/LCVs (<3.5t)	229	188	154	171	239	250	263	276
Growth (%)	*14.9*	*-18.1*	*-18.3*	*11.2*	*39.8*	*5.0*	*5.0*	*5.0*
SUVs	237	179	156	226	359	451	494	533
Growth (%)	*0.9*	*-24.4*	*-13.3*	*45.2*	*59.0*	*25.6*	*9.5*	*7.8*
3-Ws	67	62	21	30	59	84	94	106
Growth (%)	*22.1*	*-6.8*	*-67.0*	*46.5*	*94.6*	*44.0*	*12.0*	*12.0*
LCVs (>3.5t)	8	6	2	2	4	7	9	11
Growth (%)	*8.6*	*-26.5*	*-75.0*	*31.0*	*84.9*	*100.0*	*25.0*	*15.0*
M&HCVs (MTBL)	11	5	3	4	6	6	7	7
Growth (%)	*14.3*	*-53.0*	*-50.0*	*60.0*	*30.0*	*9.0*	*9.0*	*9.0*
Others & Exports	56	35	18	33	32	35	39	43
Growth (%)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Total Autos	**609**	**476**	**352**	**466**	**698**	**835**	**906**	**975**
Growth (%)	*10.8*	*-21.8*	*-26.0*	*32.2*	*50.0*	*19.5*	*8.6*	*7.6*
% of total volumes	*64.8*	*61.2*	*49.8*	*56.8*	*63.2*	*67.4*	*68.1*	*68.5*
Total volumes ('000 units)	**939**	**778**	**707**	**820**	**1,106**	**1,238**	**1,330**	**1,425**
Growth (%)	***8.1***	***-17.2***	***-9.1***	***16.1***	***34.8***	***12.0***	***7.4***	***7.1***
ASP (INR '000/Unit)	**563**	**577**	**629**	**705**	**769**	**812**	**831**	**824**
Growth (%)	*2.8*	*2.5*	*9.1*	*12.0*	*9.1*	*5.7*	*2.2*	*-0.8*
Net Sales (INR b)	**528**	**449**	**445**	**578**	**850**	**1,006**	**1,105**	**1,209**
Growth (%)	*11.1*	*-15.1*	*-0.9*	*29.9*	*47.0*	*18.4*	*9.8*	*9.4*

Source: Company, MOFSL

Exhibit 28: Core P/E trend

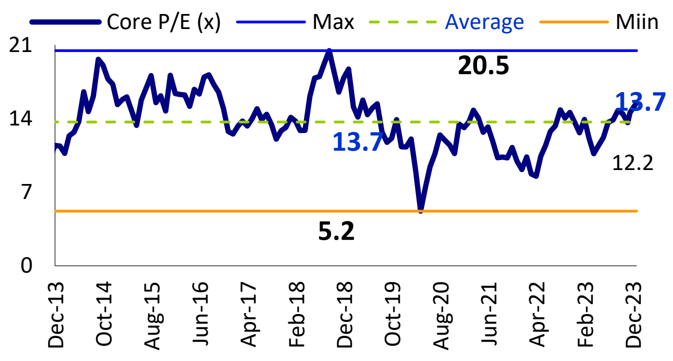
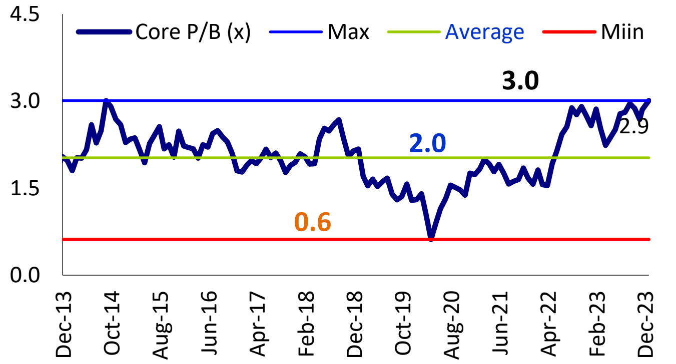


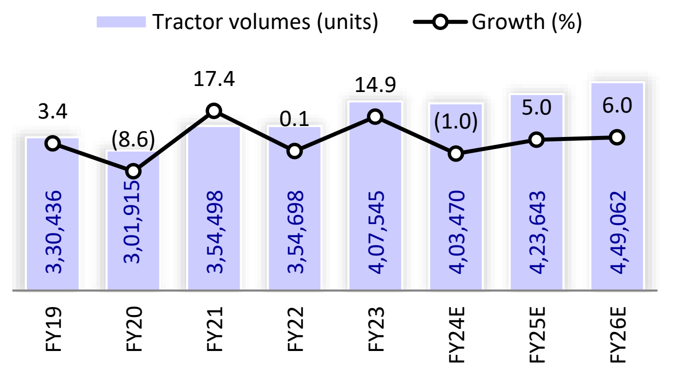
Exhibit 29: Core P/B trend



Source: Bloomberg, MOFSL

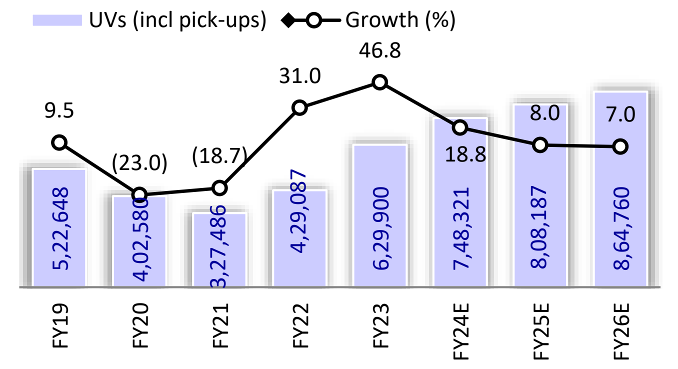
Story in charts

Exhibit 30: Trend in tractor volumes



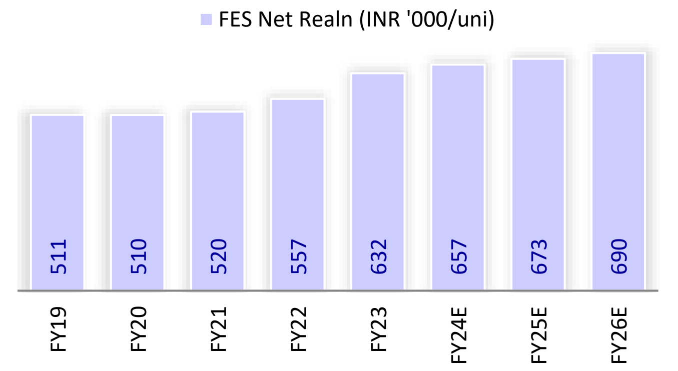
Source: Company, MOFSL

Exhibit 31: New product launches to drive UV sales



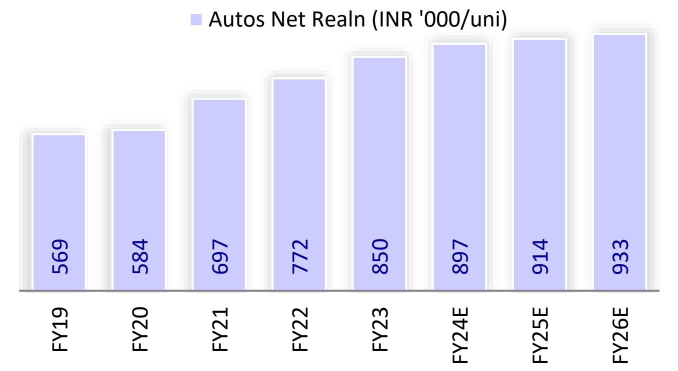
Source: Company, MOFSL

Exhibit 32: Trend in FES business realizations



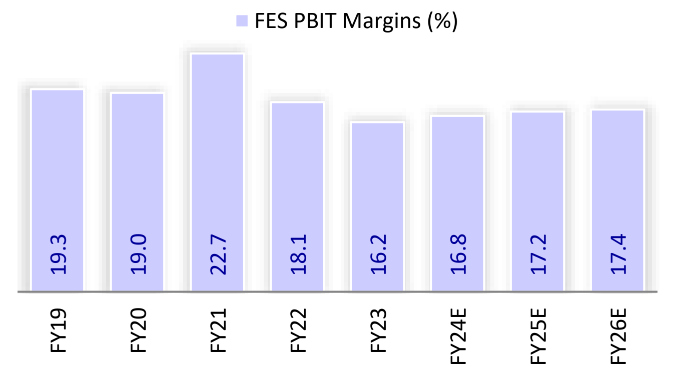
Source: Company, MOFSL

Exhibit 33: Trend in auto business realizations



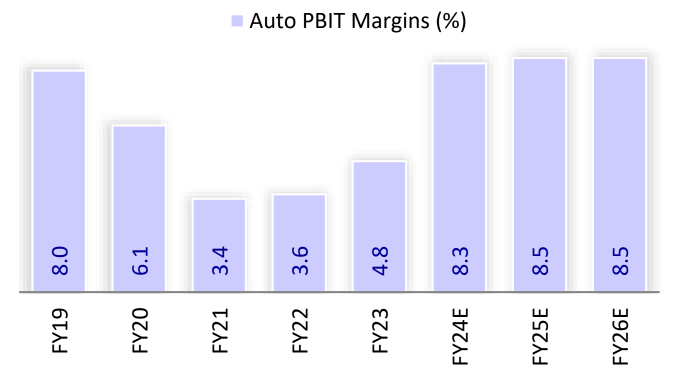
Source: Company, MOFSL

Exhibit 34: Trend in FES business PBIT margin



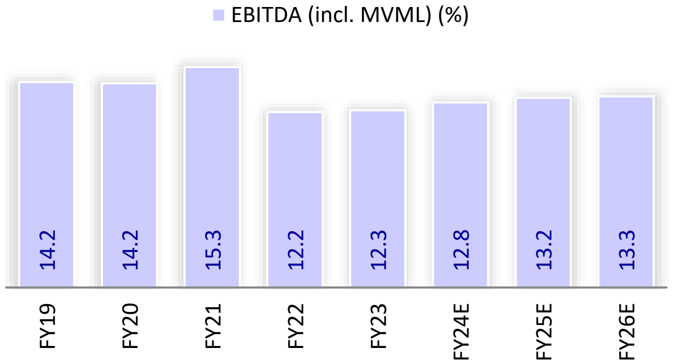
Source: Company, MOFSL

Exhibit 35: Trend in auto business PBIT margin



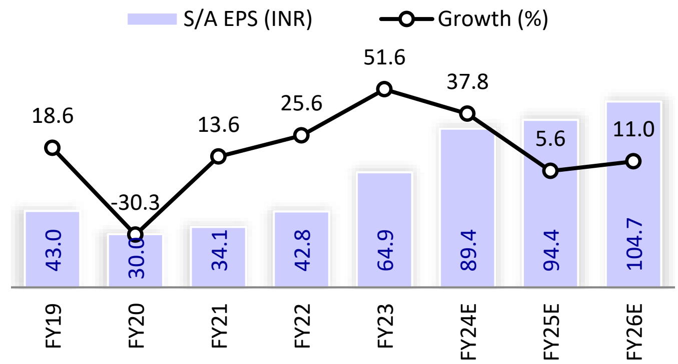
Source: Company, MOFSL

Exhibit 36: Trend in EBITDA margin



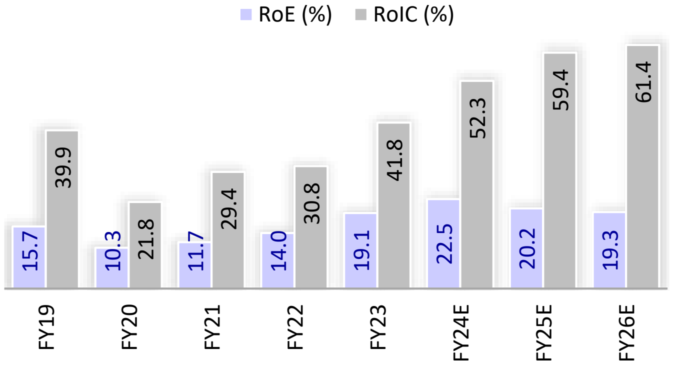
Source: Company, MOFSL

Exhibit 37: Trend in standalone EPS



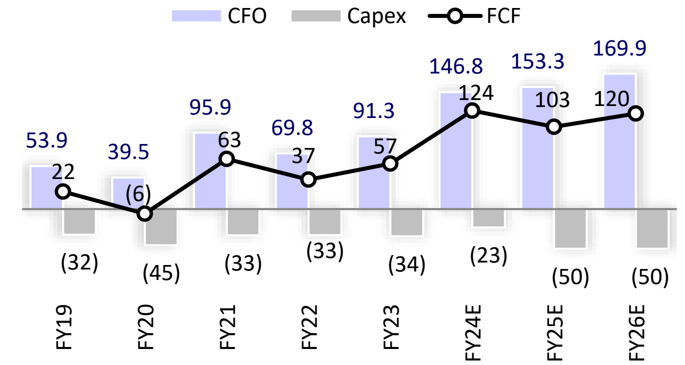
Source: Company, MOFSL

Exhibit 38: Trend in capital efficiencies (standalone)



Source: Company, MOFSL

Exhibit 39: FCF to improve despite higher capex plans



Source: Company, MOFSL

Financials and valuations

S/A Income Statement (incl MVML)								(INR Million)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**2024E**	**2025E**	**2026E**
Net Op. Income	**5,28,482**	**4,48,655**	**4,44,719**	**5,77,869**	**8,49,603**	**10,05,964**	**11,04,629**	**12,08,752**
Change (%)	11.1	-15.1	-0.9	29.9	47.0	18.4	9.8	9.4
EBITDA	**75,301**	**63,506**	**67,995**	**70,275**	**1,04,424**	**1,29,117**	**1,45,321**	**1,60,186**
Margins (%)	14.2	14.2	15.3	12.2	12.3	12.8	13.2	13.3
Depreciation	20,030	23,631	23,699	24,984	31,545	33,080	37,597	41,947
EBIT	**55,271**	**39,875**	**44,296**	**45,291**	**72,879**	**96,037**	**1,07,724**	**1,18,239**
Int. & Finance Charges	1,467	1,245	3,963	2,262	2,728	1,377	1,257	1,137
Other Income	16,303	15,391	11,995	20,538	25,452	40,893	39,400	44,740
Non-recurring Income	3,723	-28,112	-29,293	-2,087	-14,295	0	0	0
Profit before Tax	**73,829**	**25,910**	**23,035**	**61,480**	**81,308**	**1,35,553**	**1,45,867**	**1,61,842**
Eff. Tax Rate (%)	26.8	71.5	57.3	20.8	19.5	21.0	22.5	22.5
Profit after Tax	**54,012**	**7,397**	**9,842**	**48,699**	**65,486**	**1,07,087**	**1,13,047**	**1,25,427**
Adj. Profit after Tax	**51,288**	**35,770**	**40,710**	**51,200**	**77,700**	**1,07,087**	**1,13,047**	**1,25,427**
Change (%)	18.7	(30.3)	13.8	25.8	51.8	37.8	5.6	11.0

Balance Sheet								(INR Million)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**2024E**	**2025E**	**2026E**
Sources of Funds								
Share Capital	5,958	5,965	5,974	5,983	5,991	5,991	5,991	5,991
Reserves	3,43,979	3,40,326	3,43,536	3,75,998	4,27,577	5,10,768	5,96,932	6,92,490
Net Worth	**3,49,937**	**3,46,291**	**3,49,510**	**3,81,981**	**4,33,567**	**5,16,758**	**6,02,923**	**6,98,481**
Deferred tax	7,896	15,068	14,497	17,622	14,703	14,703	14,703	14,703
Loans	26,803	31,530	77,863	67,431	50,255	21,948	19,948	17,948
Capital Employed	**3,84,636**	**3,92,889**	**4,41,870**	**4,67,033**	**4,98,525**	**5,53,409**	**6,37,573**	**7,31,131**
Application of Funds								
Gross Fixed Assets	2,42,262	2,66,446	2,88,343	3,15,772	3,62,150	4,07,150	4,57,150	5,07,150
Less: Depreciation	1,23,730	1,45,935	1,68,230	1,66,733	1,92,388	2,52,196	2,89,793	3,31,740
Net Fixed Assets	**1,18,532**	**1,20,511**	**1,20,113**	**1,49,040**	**1,69,762**	**1,54,955**	**1,67,358**	**1,75,411**
Capital WIP	26,437	48,582	61,255	52,627	27,846	32,846	32,846	32,846
Investments	2,06,262	1,75,329	2,17,826	2,42,045	2,70,871	3,09,871	3,26,871	3,43,871
Curr.Assets, L & Adv.	**1,97,940**	**1,73,757**	**2,16,451**	**2,22,353**	**2,89,319**	**3,53,597**	**4,30,739**	**5,22,862**
Inventory	47,631	40,408	47,830	59,704	88,814	1,05,159	1,15,473	1,26,357
Inventory Days	33	33	39	38	38	38	38	38
Sundry Debtors	38,119	29,012	22,028	30,386	40,417	47,856	52,549	57,503
Debtor Days	26	24	18	19	17	17	17	17
Cash & Bank Bal.	38,321	42,365	63,952	36,506	44,818	75,780	1,31,899	2,01,837
Loans & Advances	8,612	6,511	19,324	49,264	51,792	61,324	67,338	73,686
Others	65,257	55,460	63,317	46,494	63,479	63,479	63,479	63,479
Current Liab. & Prov.	**1,64,535**	**1,25,290**	**1,73,775**	**1,99,032**	**2,59,273**	**2,97,860**	**3,20,240**	**3,43,858**
Sundry Creditors	1,03,607	72,006	1,06,427	1,29,701	1,71,456	2,06,705	2,26,978	2,48,374
Creditor Days	72	59	87	82	74	75	75	75
Other Liabilities	44,775	37,503	52,271	55,442	69,677	69,677	69,677	69,677
Provisions	16,154	15,781	15,077	13,889	18,139	21,478	23,584	25,807
Net Current Assets	**33,405**	**48,467**	**42,676**	**23,321**	**30,046**	**55,737**	**1,10,499**	**1,79,004**
Working Capital	-4,916	6,101	-21,276	-13,185	-14,771	-20,043	-21,400	-22,833
Application of Funds	**3,84,636**	**3,92,889**	**4,41,870**	**4,67,033**	**4,98,525**	**5,53,409**	**6,37,573**	**7,31,131**

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	2024E	2025E	2026E
Basic (INR)								
Fully diluted EPS	**43.0**	**30.0**	**34.1**	**42.8**	**64.9**	**89.4**	**94.4**	**104.7**
FD EPS (incl MVML)	**43.0**	**30.0**	**34.1**	**42.8**	**64.9**	**89.4**	**94.4**	**104.7**
Cash EPS	59.9	49.8	53.9	63.7	91.2	117.0	125.7	139.7
Book Value per Share	293.7	290.3	292.5	319.2	361.9	431.3	503.2	583.0
DPS	8.5	2.4	8.8	11.5	16.3	20.0	22.5	25.0
Div. Payout (%)	21.8	44.0	106.2	28.2	29.6	22.3	23.8	23.8
Valuation (x)								
P/E	38.5	55.2	48.6	38.7	25.5	18.5	17.6	15.8
Cash P/E	27.7	33.3	30.7	26.0	18.2	14.2	13.2	11.9
EV/EBITDA	25.7	30.5	28.6	26.3	17.2	13.3	11.4	9.9
EV/Sales	3.7	4.3	4.4	3.2	2.1	1.7	1.5	1.3
Price to Book Value	5.6	5.7	5.7	5.2	4.6	3.8	3.3	2.8
Dividend Yield (%)	0.5	0.1	0.5	0.7	1.0	1.2	1.4	1.5
Profitability Ratios (%)								
RoE	15.7	10.3	11.7	14.0	19.1	22.5	20.2	19.3
RoCE	14.1	9.3	10.1	11.6	17.0	20.6	19.1	18.5
RoIC	39.9	21.8	29.4	30.8	41.8	52.3	59.4	61.4
Turnover Ratios								
Debtors (Days)	26	24	18	19	17	17	17	17
Inventory (Days)	33	33	39	38	38	38	38	38
Creditors (Days)	72	59	87	82	74	75	75	75
Core. Work. Cap (Days)	-12	-2	-30	-25	-18	-19	-19	-19
Asset Turnover (x)	1.4	1.1	1.0	1.2	1.7	1.8	1.7	1.7
Leverage Ratio								
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.4	-0.4	-0.5	-0.5	-0.6

Cash Flow Statement **(INR Million)**

Y/E March	FY19	FY20	FY21	FY22	FY23	2024E	2025E	2026E
OP/(Loss) before Tax	70,106	54,021	53,907	63,567	95,603	96,037	1,07,724	1,18,239
Int./Dividends Received	-12,339	-12,918	-9,458	-18,167	-20,468	40,893	39,400	44,740
Depreciation & Amort.	20,030	23,631	23,699	24,984	31,545	33,080	37,597	41,947
Direct Taxes Paid	-17,006	-11,986	-11,381	-5,984	-19,380	-28,466	-32,820	-36,414
(Inc)/Dec in Wkg. Capital	-6,722	-14,954	35,866	3,913	3,871	5,272	1,358	1,433
Other Items	-153	1,657	3,302	1,455	121			
CF from Oper.Activity	**53,916**	**39,451**	**95,936**	**69,767**	**91,293**	**1,46,815**	**1,53,259**	**1,69,944**
(Inc)/Dec in FA+CWIP	-32,150	-45,418	-33,113	-32,916	-34,313	-23,273	-50,000	-50,000
Free Cash Flow	**21,766**	**-5,967**	**62,824**	**36,852**	**56,980**	**1,23,542**	**1,03,259**	**1,19,944**
(Pur)/Sale of Invest.	4,431	16,423	-1,12,247	-6,720	-13,222	-39,000	-17,000	-17,000
CF from Inv. Activity	**-27,720**	**-28,994**	**-1,45,638**	**-39,636**	**-47,535**	**-62,273**	**-67,000**	**-67,000**
Change in Net Worth	0	0	0	33	83	0	0	0
Inc/(Dec) in Debt	-5,224	3,892	42,723	-15,978	-19,752	-28,308	-2,000	-2,000
Interest Paid	-2,016	-1,904	-4,645	-4,824	-3,810	-1,377	-1,257	-1,137
Dividends Paid	-10,267	-12,132	-2,936	-10,891	-14,359	-24,064	-27,051	-30,038
CF from Fin. Activity	**-17,507**	**-10,144**	**35,142**	**-31,660**	**-37,838**	**-53,748**	**-30,307**	**-33,174**
Inc/(Dec) in Cash	**8,689**	**312**	**-14,560**	**-1,528**	**5,921**	**30,794**	**55,951**	**69,770**
Add: Beginning Balance	14,234	22,923	23,235	8,701	7,180	13,101	44,063	1,00,183
Closing Balance	**22,923**	**23,235**	**8,675**	**7,173**	**13,101**	**44,063**	**1,00,183**	**1,70,121**

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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