

June 18, 2024

Analyst Meet Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	3,250		2,716	
Sales (Rs. m)	11,48,136	13,43,799	11,32,856	12,90,244
% Chng.	1.3	4.2		
EBITDA (Rs. m)	1,62,461	1,95,523	1,57,467	1,80,634
% Chng.	3.2	8.2		
EPS (Rs.)	110.9	129.1	105.3	117.3
% Chng.	5.3	10.0		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	850	988	1,148	1,344
EBITDA (Rs. bn)	104	127	162	196
Margin (%)	12.2	12.8	14.2	14.6
PAT (Rs. bn)	80	107	133	155
EPS (Rs.)	66.6	89.4	110.9	129.1
Gr. (%)	53.5	34.2	24.0	16.4
DPS (Rs.)	16.3	21.1	25.0	30.0
Yield (%)	0.6	0.7	0.9	1.0
RoE (%)	19.6	22.4	23.2	22.6
RoCE (%)	15.5	18.0	20.7	20.7
EV/Sales (x)	4.0	3.4	3.0	2.5
EV/EBITDA (x)	33.1	26.8	20.9	17.2
PE (x)	44.0	32.8	26.4	22.7
P/BV (x)	8.1	6.7	5.6	4.7

Key Data

MAHM.BO | MM IN

52-W High / Low	Rs.2,946 / Rs.1,366	
Sensex / Nifty	76,993 / 23,466	
Market Cap	Rs.3,642bn / \$ (2,14,68,26,273)m	
Shares Outstanding	1,244m	
3M Avg. Daily Value	Rs.8017.17m	

Shareholding Pattern (%)

Promoter's	18.59
Foreign	41.75
Domestic Institution	29.90
Public & Others	9.70
Promoter Pledge (Rs bn)	0.06

Stock Performance (%)

	1M	6M	12M
Absolute	29.0	71.9	112.4
Relative	22.5	57.4	74.4

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Mahindra & Mahindra (MM IN)

Rating: BUY | CMP: Rs2,929 | TP: Rs3,250

Robust Auto & Farm portfolios to drive growth

Quick Pointers:

- Aiming at market share expansion in the <4-meter segment through new launches
- OJA platform to drive growth in domestic & international markets

We attended the annual analyst meet of M&M where the company gave a detailed overview of its Automotive and Farm business verticals as well as its subsidiary. M&M outlined a strong outlook for the Automotive and Farm divisions led by new launches. With its new launches receiving healthy response, we believe it will deliver mid-high teens growth in the UVs in FY25. The launch of OJA series tractors has been well received in the domestic as well as international markets. Further, prediction of a normal monsoon shall translate to mid-single digit growth for FY25. Additionally, the management aims to enter into new geographies strategically for UVs as well as Tractors.

We continue to remain bullish on the growth prospects of M&M based on (1) its plan to increase its presence in the high growth category, (2) its aspiration to drive its market share in the <4-meter UV category, (3) its capacity expansion plans to reduce the waiting period and timely execution of new products, (4) the diversification of powertrains, (5) the recovery in tractor volume along with a strong sustainable margin, and (6) the gradual scaling of international UVs and Tractors volume. Factoring the healthy product portfolio in UVs, LCVs and Tractors space, we increase our Automotive/Tractor volume estimates by ~1-3% over FY24-FY26E. Consequently, we forecast its revenue/EBITDA/APAT to grow at a CAGR of 16.6%/24.2%/20.2% over FY24-FY26E. We maintain our 'BUY' with a TP of Rs3,250 (vs Rs2,716) valuing it at 25x on FY26E core EPS, and Rs229 for the EV business and Rs385 for listed subsidiaries.

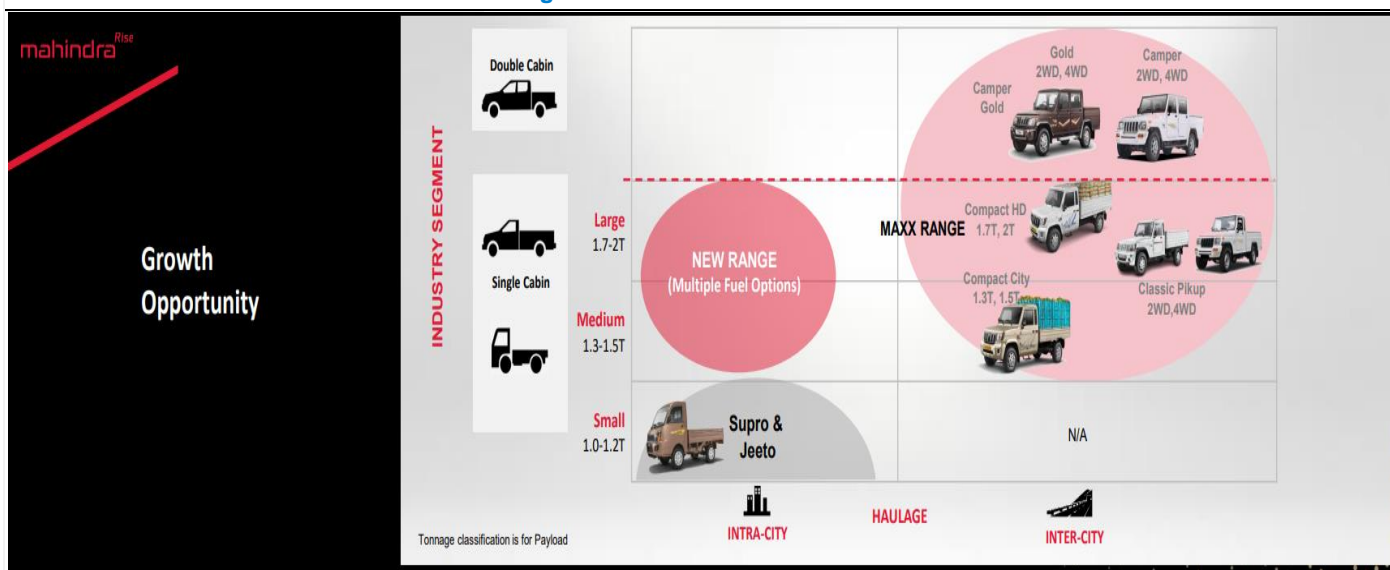
Automotive Division:

Strong product portfolio to deliver growth: The company has 9 new launches planned in the ICE category from FY24-FY30E with 3 mid-cycle enhancements and 6 new models. The models are aimed at gaining market share in the <4-meter category where the company aspires to be amongst the top 3 players (currently at #5) in the next few years. Given the historical track record of healthy response from customers towards new launches with healthy bookings within a short span of time, we believe the company could deliver on its market share aspiration. Additionally, it is looking to scale up its international volumes gradually, with sales in countries like New Zealand, Australia and South Africa already witnessing good response.

BEVs penetration to increase to 20-30% in next 5 years: M&M has planned 7 new BEVs launches over the next 5 years. It displayed 3 of the 7 new models at the annual analyst meet and indicated the 1st launch to be in Q4FY25. The company aims to increase the penetration of EVs in its portfolio to 20-30% by FY30, driven by the upcoming CAFE-III norms, product development across the industry and improved charging infrastructure, all paving the way for EV growth. Furthermore, the company plans to go international with its EVs by entering markets like the USA and Europe.

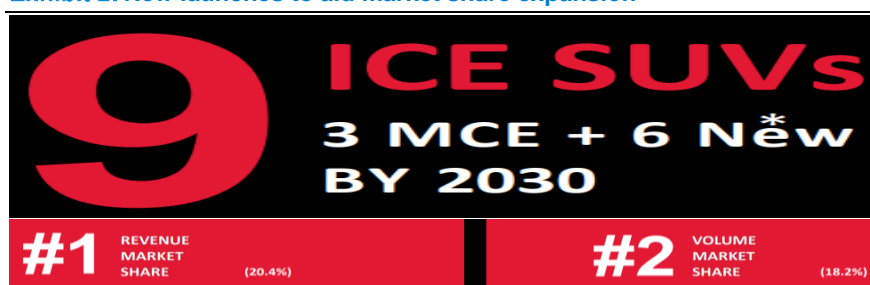
Maintains leadership position in LCVs, to expand in Trucks and Buses: M&M has a market share of ~49% in the <3.5T LCV segment, strengthened by a robust product portfolio and the launch of new Bolero Maxx Pik-Up. Its LCVs can be used for multi-purposes with a high resale value, making them a preferred choice amongst customers. The company will continue to launch new products in this segment to sustain its leadership in the category. In the Trucks and Buses category, it has a market share of ~3%, which has a revenue potential of ~Rs 30bn. It plans to develop new products in the category with a view to increase its market share to 7-8% in the next 5 years.

Exhibit 1: New launches to continue to deliver growth



Source: Company, PL

Exhibit 2: New launches to aid market share expansion



Source: Company

Exhibit 3: M&M consistently adding capacity to reduce waiting period

Per Month Capacity	F20 Exit	F23 Exit	F24 Exit	F25 Exit	F26 Exit
Overall SUVs Capacity	19K	39k	49k	64k	72k

- F25 Exit capacity includes:
 - Increase in SUV capacity (THAR 5D, XUV3XO/400) : 5K
 - EV capacity : 10K
- Additional 8k EV capacity by F26 end
- **3.5X+** expected capacity in F26 over F20

Source: Company

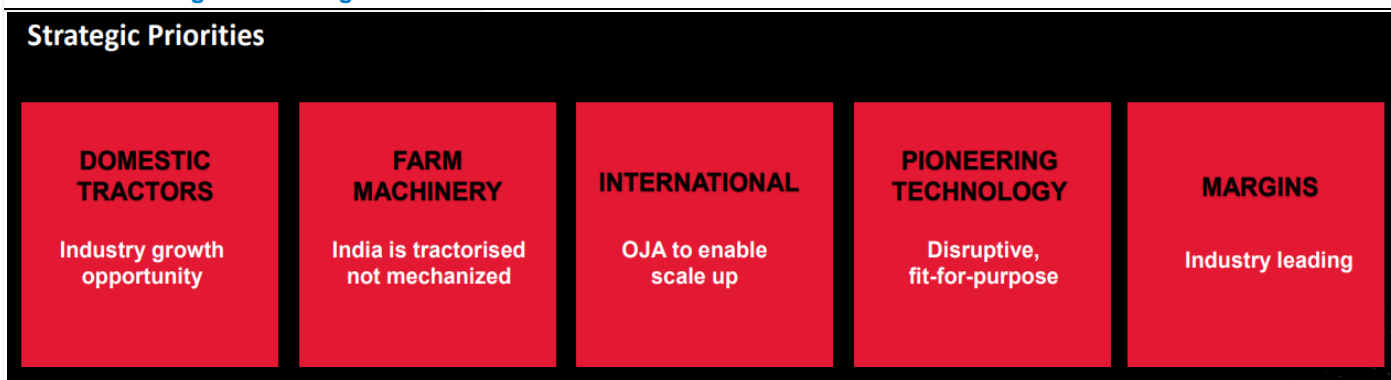
Farm Division:

Healthy growth outlook in the domestic market: The management expects volume to grow by 5-6% to be driven by forecasts of above-normal rains this monsoon and success of the new launches of OJA, Target & Naya Swaraj. The successful launch of OJA & Target also enabled the company to gain 12.8% market share (Sep23-Mar24) in the 20-30HP category. M&M will continue to be the beneficiary of improved cropping intensity and shift from traditional crops towards high-value crops, which will be supported by a strong product portfolio and an extensive channel network.

Robust potential in Farm Machinery: The farm mechanization level in developed economies such as the USA, Russia and China stands at 95%/80%/60%, while in India, it is at 47%. This indicates a large headroom for growth, which can be delivered through the synergies with its tractor channel.

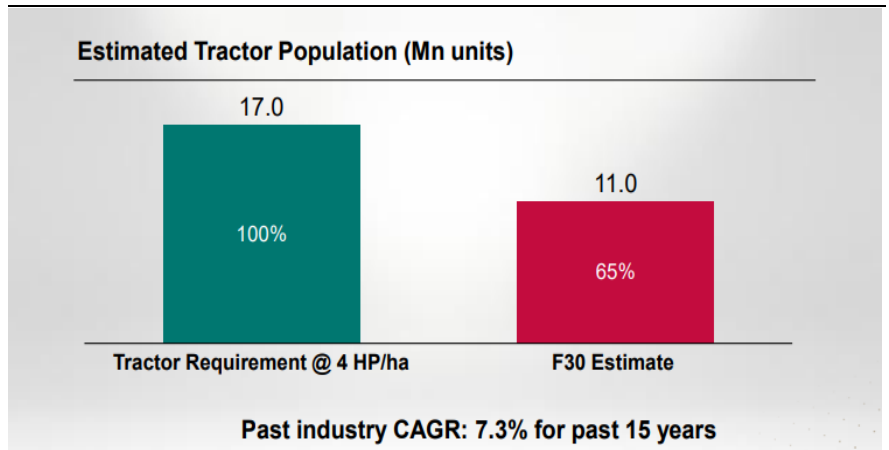
Plans to enter ASEAN and European markets: The company aims to enter ASEAN and Europe in the next few years, through its OJA platform. It aims to enter Thailand first as it accounts for ~60% of the ASEAN volume followed by penetration in the neighboring countries and later into the European market in CY26.

Exhibit 4: Strategies to drive growth



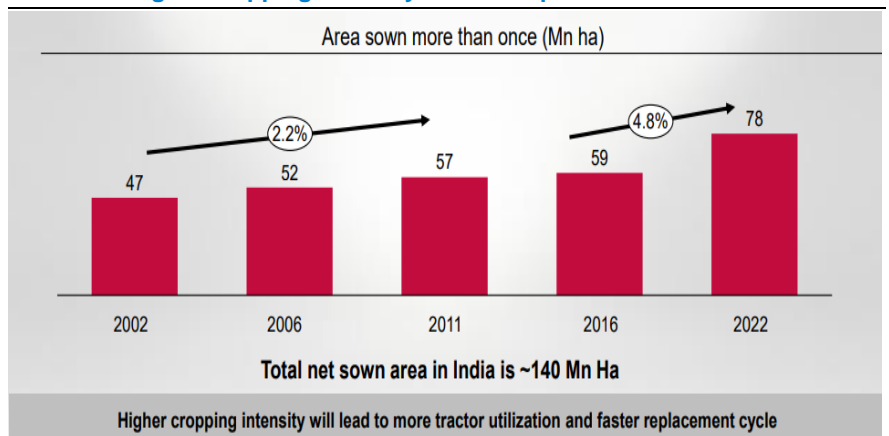
Source: Company

Exhibit 5: Headroom for growth in tractor industry



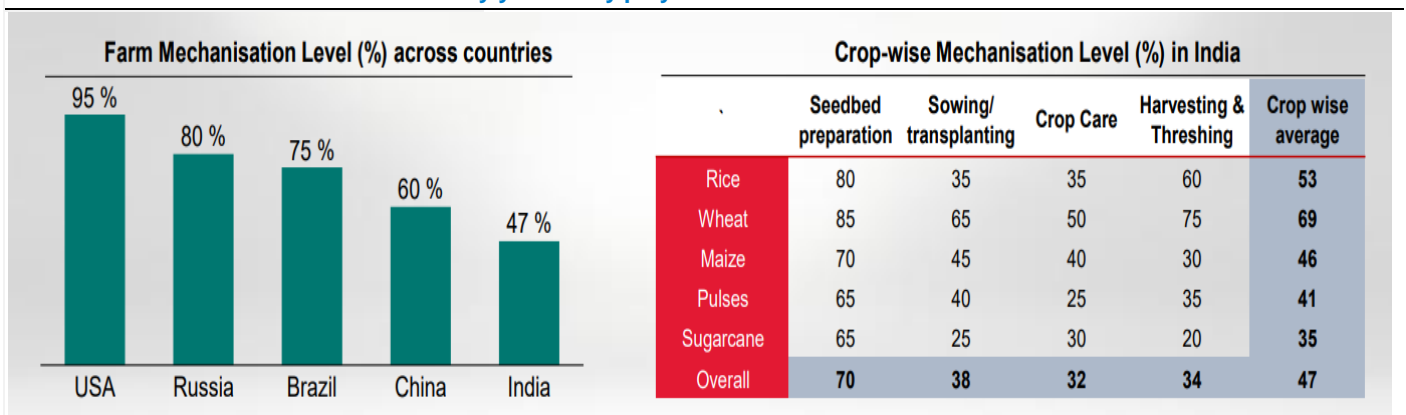
Source: Company

Exhibit 6: Higher cropping intensity to drive replacement demand



Source: Company

Exhibit 7: Indian farm mechanization story yet to fully play out



Source: Company

Key highlights of subsidiaries:

MMFSL: Disbursement growth is expected to be at 10-12%, despite subdued performance in the initial months of FY25. The company aims to diversify from an automotive financier into other segments.

Mahindra Lifespace Development: It has 3 launches planned in Mumbai with the 1st expected to be in Q2FY25. A large project is expected to be launched in Thane in FY25, which has a significant revenue potential. It will require a capital of Rs70bn, of which 50% will be funded through internal accruals and the remaining through its group companies.

Tech Mahindra: The company aims to add new clients with focus on winning large deals and USD20mn+ revenue clients. It remains confident on delivering an EBIT margin of 15% in the next few years.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	8,49,603	9,87,634	11,48,136	13,43,799
YoY gr. (%)	47.0	16.2	16.3	17.0
Cost of Goods Sold	6,45,582	7,40,064	8,54,787	9,96,427
Gross Profit	2,04,020	2,47,571	2,93,349	3,47,372
Margin (%)	24.0	25.1	25.6	25.9
Employee Cost	36,499	44,164	49,370	56,440
Other Expenses	63,726	76,745	81,518	95,410
EBITDA	1,03,796	1,26,662	1,62,461	1,95,523
YoY gr. (%)	45.4	22.0	28.3	20.4
Margin (%)	12.2	12.8	14.2	14.6
Depreciation and Amortization	31,545	34,389	39,404	49,779
EBIT	72,251	92,273	1,23,058	1,45,744
Margin (%)	8.5	9.3	10.7	10.8
Net Interest	2,728	1,388	318	335
Other Income	26,081	43,944	43,450	48,063
Profit Before Tax	81,309	1,34,830	1,66,190	1,93,472
Margin (%)	9.6	13.7	14.5	14.4
Total Tax	15,821	27,652	33,238	38,694
Effective tax rate (%)	19.5	20.5	20.0	20.0
Profit after tax	65,487	1,07,178	1,32,952	1,54,778
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	79,783	1,07,178	1,32,952	1,54,778
YoY gr. (%)	53.7	34.3	24.0	16.4
Margin (%)	9.4	10.9	11.6	11.5
Extra Ord. Income / (Exp)	(14,295)	-	-	-
Reported PAT	65,487	1,07,178	1,32,952	1,54,778
YoY gr. (%)	26.1	63.7	24.0	16.4
Margin (%)	7.7	10.9	11.6	11.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	65,487	1,07,178	1,32,952	1,54,778
Equity Shares O/s (m)	1,198	1,199	1,199	1,199
EPS (Rs)	66.6	89.4	110.9	129.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	3,72,336	4,12,243	5,37,243	6,62,243
Tangibles	3,72,336	4,12,243	5,37,243	6,62,243
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,02,574	2,36,963	2,76,366	3,26,145
Tangibles	2,02,574	2,36,963	2,76,366	3,26,145
Intangibles	-	-	-	-
Net fixed assets	1,69,762	1,75,280	2,60,877	3,36,098
Tangibles	1,69,762	1,75,280	2,60,877	3,36,098
Intangibles	-	-	-	-
Capital Work In Progress	27,846	37,558	35,680	33,896
Goodwill	-	-	-	-
Non-Current Investments	1,93,625	2,21,864	2,32,513	2,43,695
Net Deferred tax assets	(14,703)	(15,551)	(16,328)	(17,145)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	79,021	79,021	79,021	79,021
Inventories	88,814	95,048	1,13,241	1,32,539
Trade receivables	40,417	45,495	56,620	66,270
Cash & Bank Balance	44,818	55,259	56,355	91,450
Other Current Assets	54,373	48,788	56,106	64,522
Total Assets	7,57,798	8,46,823	9,87,774	11,54,587
Equity				
Equity Share Capital	5,991	5,996	5,996	5,996
Other Equity	4,27,577	5,16,769	6,19,741	7,38,541
Total Network	4,33,567	5,22,766	6,25,737	7,44,537
Non-Current Liabilities				
Long Term borrowings	25,997	14,652	13,652	13,152
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	24,258	5,712	5,712	5,712
Trade payables	1,71,456	1,85,920	2,13,899	2,50,352
Other current liabilities	87,817	1,02,223	1,12,445	1,23,689
Total Equity & Liabilities	7,57,798	8,46,823	9,87,774	11,54,587

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	81,309	1,34,830	1,66,190	1,93,472
Add. Depreciation	31,545	34,389	39,404	49,779
Add. Interest	2,728	1,388	318	335
Less Financial Other Income	26,081	43,944	43,450	48,063
Add. Other	(11,785)	(43,944)	(43,450)	(48,063)
Op. profit before WC changes	1,03,796	1,26,662	1,62,461	1,95,523
Net Changes-WC	7,227	(6,244)	(7,286)	597
Direct tax	(18,127)	(26,804)	(32,461)	(37,878)
Net cash from Op. activities	92,897	93,614	1,22,715	1,58,242
Capital expenditures	(55,032)	(77,858)	(1,33,771)	(1,34,398)
Interest / Dividend Income	-	-	-	-
Others	11,785	43,944	43,450	48,063
Net Cash from Invt. activities	(43,247)	(33,914)	(90,321)	(86,335)
Issue of share cap. / premium	5,569	7,324	-	-
Debt changes	(17,080)	(29,891)	(1,000)	(500)
Dividend paid	(19,469)	(25,304)	(29,981)	(35,977)
Interest paid	(2,728)	(1,388)	(318)	(335)
Others	-	-	-	-
Net cash from Fin. activities	(33,709)	(49,258)	(31,299)	(36,812)
Net change in cash	15,941	10,442	1,096	35,095
Free Cash Flow	59,412	43,995	(407)	35,026

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	2,40,561	2,43,099	2,52,885	2,51,090
YoY gr. (%)	22.0	15.7	16.8	11.2
Raw Material Expenses	1,81,149	1,83,793	1,90,660	1,84,462
Gross Profit	59,412	59,306	62,225	66,627
Margin (%)	24.7	24.4	24.6	26.5
EBITDA	32,351	29,341	32,364	31,188
YoY gr. (%)	38.6	17.5	15.0	11.9
Margin (%)	13.4	12.1	12.8	12.4
Depreciation / Depletion	8,281	8,158	8,179	9,770
EBIT	24,070	21,182	24,186	21,418
Margin (%)	10.0	8.7	9.6	8.5
Net Interest	323	329	348	387
Other Income	7,360	22,819	7,370	5,474
Profit before Tax	33,445	43,672	31,207	26,505
Margin (%)	13.9	18.0	12.3	10.6
Total Tax	5,708	9,153	6,668	6,123
Effective tax rate (%)	17.1	21.0	21.4	23.1
Profit after Tax	27,737	34,519	24,540	20,382
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	25,399	34,519	24,540	20,382
YoY gr. (%)	75.8	49.1	13.8	(1.1)
Margin (%)	10.6	14.2	9.7	8.1
Extra Ord. Income / (Exp)	2,339	-	-	-
Reported PAT	27,737	34,519	24,540	20,382
YoY gr. (%)	97.6	66.9	60.6	31.6
Margin (%)	11.5	14.2	9.7	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	27,737	34,519	24,540	20,382
Avg. Shares O/s (m)	1,198	1,198	1,198	1,198
EPS (Rs)	21.2	28.8	20.5	17.0

Source: Company Data, PL Research

Key Financial Metrics

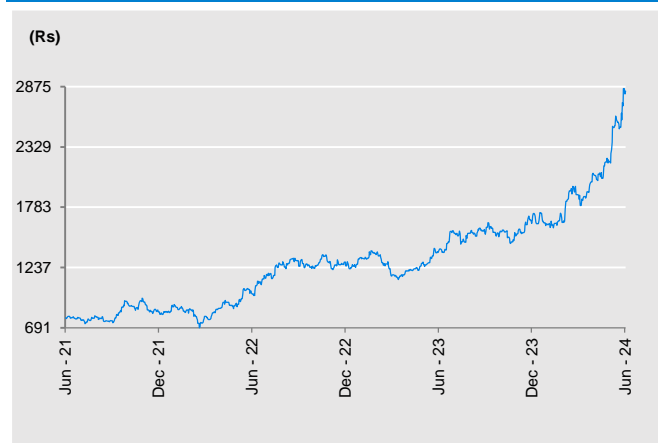
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	66.6	89.4	110.9	129.1
CEPS	92.9	118.0	143.7	170.6
BVPS	361.9	435.9	521.8	620.8
FCF	49.6	36.7	(0.3)	29.2
DPS	16.3	21.1	25.0	30.0
Return Ratio(%)				
RoCE	15.5	18.0	20.7	20.7
ROIC	17.0	19.3	21.5	21.8
RoE	19.6	22.4	23.2	22.6
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	(18)	(17)	(14)	(14)
Valuation(x)				
PER	44.0	32.8	26.4	22.7
P/B	8.1	6.7	5.6	4.7
P/CEPS	31.5	24.8	20.4	17.2
EV/EBITDA	33.1	26.8	20.9	17.2
EV/Sales	4.0	3.4	3.0	2.5
Dividend Yield (%)	0.6	0.7	0.9	1.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Tractor Volumes	4,07,545	3,78,386	4,04,416	4,37,770
Auto volumes	6,99,938	8,24,926	9,21,703	10,37,242

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	17-May-24	BUY	2,716	2,372
2	08-Apr-24	BUY	2,306	2,013
3	15-Feb-24	BUY	1,875	1,657
4	08-Jan-24	BUY	1,830	1,642
5	10-Nov-23	BUY	1,740	1,524
6	09-Oct-23	BUY	1,775	1,549
7	06-Aug-23	BUY	1,760	1,465
8	07-Jul-23	BUY	1,685	1,549

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	595	669
2	Ashok Leyland	BUY	239	211
3	Bajaj Auto	Sell	7,267	9,021
4	Bharat Forge	BUY	1,615	1,405
5	Bharat Petroleum Corporation	Reduce	547	619
6	Bharti Airtel	Accumulate	1,373	1,310
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,383	1,328
9	Deepak Nitrite	Reduce	2,268	2,464
10	Divgi Torqtransfer Systems	Accumulate	831	765
11	Eicher Motors	BUY	5,335	4,658
12	Endurance Technologies	Accumulate	2,346	2,168
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Accumulate	4,779	4,287
15	GAIL (India)	Sell	170	213
16	Gujarat Fluorochemicals	Reduce	3,120	3,638
17	Gujarat Gas	Accumulate	589	553
18	Gujarat State Petronet	BUY	400	294
19	Hero Motocorp	BUY	5,629	4,614
20	Hindustan Petroleum Corporation	Sell	420	501
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	368	452
23	Jubilant Ingrevia	Hold	526	512
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,116	1,300
26	Mahindra & Mahindra	BUY	2,716	2,372
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	Accumulate	3,621	3,377

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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