



3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

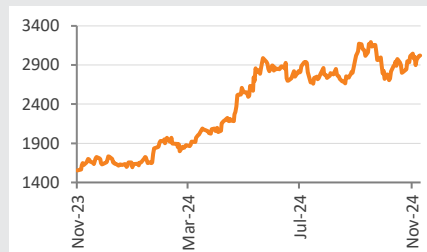
Company details

Market cap:	Rs. 3,76,314 cr
52-week high/low:	Rs. 3,221 / 1,575
NSE volume: (No of shares)	30.2 lakh
BSE code:	500520
NSE code:	M&M
Free float: (No of shares)	101.2 cr

Shareholding (%)

Promoters	18.5
FII	41.2
DII	27.1
Others	13.2

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-10.9	-6.0	17.6	36.2
Relative to Sensex	-8.3	-6.7	9.4	13.9

Mirae Asset Sharekhan Research, Bloomberg

Mahindra & Mahindra Ltd

In comes INGLO - Launchpad for BEVs

Automobiles	Sharekhan code: M&M		
Reco/View: Buy	↔	CMP: Rs. 3,027	Price Target: Rs. 3,600 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Timely launch of attractively-priced and feature-rich BEVs would help M&M adhere to CAFÉ norms; models seem poised well accepted in market.
- Company set to outperform PV industry in near term; better outlook for tractors bodes well.
- We maintain a Buy rating on M&M with an SOTP-based revised PT of Rs. 3,600 on healthy traction in its PV segment, market leadership in tractors space, opportunity to grow in farm machinery segment, and a strong EV roadmap
- Stock trades at P/E multiple of 25.7x/24.2x and EV/EBITDA multiple of 18.2x/16.2x its FY26E/FY27E estimates.

We reiterate a Buy on Mahindra & Mahindra (M&M) factoring - (1) Timely launch of BEVs via introduction of INGLO platform (2) Improvement in outlook for tractor industry and (3) Expectation of M&M to outperform the PV industry in near term. Launch of the INGLO platform, the basis for the BE.6e and XEV.9e BEVs and their competitive pricing and rich features would aid market share gains. Better outlook for the rural segment and the coming of Chaitra Navratri in March-end 2025 would support tractor sales in Q4FY25. Even though the domestic PV industry saw a moderation in growth, we have been arguing that M&M would outperform the PV industry led by the new launches and new capacities. Manufacturing capacity in the PV business has reached 54,000/month. YTD November 2024, M&M's PV division reported a 20.9% growth as compared to MSIL's 2.6% growth and Tata Motors' 2.6% y-o-y decline.

- INGLO Unveiled - Origin for multiple EVs:** Besides the INGLO platform, M&M has unveiled two born EVs (BEVs) - BE 6E and XEV 9E from the same platform. INGLO is a modular platform that will support all future EV models, as M&M has planned to launch seven BEVs till 2030. Its recently-unveiled electric SUVs (6E,9E) are expected to hit the market by the end of January 2025, with deliveries likely starting from late February to early March 2025. The BE.6e and XEV.9e BEVs have been launched at competitive prices of Rs 18.9 lakh and Rs 21.9 lakh, respectively. BEVs would have a production capacity of approximately 90,000 units annually, with plans to increase capacities gradually.
- BEVs to help achieve CAFE norms:** M&M is eyeing double-digit (~20%) contribution from EVs in its SUV portfolio by 2027 and has already planned for a 7 BEVs by 2030. M&M also plans to expand its electric SUV portfolio in countries where right-hand drive is well-accepted - and here, the new EV models would kickstart a fresh revenue line, as attractive pricing would draw IC customers too. Comparable pricing with ~40,000 units of internal combustion vehicles could drive adoption of EVs in this category. M&M is assumed to market these new EVs as lifestyle vehicles, in line with its aim to create aspirational products. An increase in BEV adoption will help reduce fleet emissions, positioning M&M to meet the upcoming CAFE norms.
- Partners to reassess pending investments:** M&M has planned to cater to electric SUV market via its subsidiary - MEAL (Mahindra Electric Automobile Limit) in which Temasek and BII (British International Investment) are key shareholders. BII has invested Rs 1,200 crore (of a planned investment of Rs 1925 crore) while Temasek invested Rs. 300 crore (of the planned investment of Rs 1200 crore) in MEAL. The company has planned to invest Rs 27000 crore on its auto business over FY25-27E. Of the Rs 27000 crore, it has planned to invest Rs 12000 crore in EV business (MEAL). Auto division has been expected to generate sufficient operating cash to satisfy its capital investment needs. Therefore, M&M and BII have mutually agreed for a longer timeframe for the final tranche of BII's planned investment of Rs 725 crore and will jointly assess whether additional investment is required by December 31, 2024. As MEAL has already unveiled the BEVs on time, clarity on further investments from BII is expected soon.

Our Call

View - Maintain Buy with a revised PT of Rs. 3,600: M&M has enhanced its guidance for tractor industry as it now assumes that the tractor industry can grow by 6-8% in FY2025 (versus up to 5% earlier) and optimism continues for FY2026, backed by rising reservoir levels. Management has maintained its mid to high teen growth guidance for the PV portfolio in FY25 as rural markets are offering growth opportunities, while urban markets are facing headwinds. Management eyes healthy ROEs along with suitable growth across business lines. It is consistently focusing on improving its operating profitability, given that it has been sustaining its AEBITDA margin above 14% level for last two quarters. Historically, M&M's operating performance has largely depended on the tractor segment; however, we believe that the automobiles segment would substantially contribute to profitability in the coming period. We maintain our BUY rating on the stock with an SOTP-based revised PT of Rs. 3,600 due to healthy traction in its PV segment, market leadership in the tractor segment, opportunity to grow in the farm machinery segment, and its roadmap to play in the EV space.

Key Risks

Uneven distribution of monsoons can affect our volume estimates for M&M's farm equipment segment. Unsuccessful new launches and volatility in raw material cost trend can also impact our projection adversely. Any deviation from capital allocation strategy would raise concern on its return ratios.

Valuation (Standalone)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	84,960	98,763	1,17,872	1,31,934	1,47,539
Growth (%)	47.0	16.2	19.3	11.9	11.8
AEBITDA	10,442	12,919	15,441	18,735	20,951
AEBITDA margin (%)	12.3	13.1	13.1	14.2	14.2
APAT (Rs cr)	7,700	10,919	12,624	14,641	15,575
Growth (%)	52.9	41.8	15.6	16.0	6.4
A EPS (Rs.)	62	88	102	118	125
PE (x)	48.9	34.5	29.8	25.7	24.2
P/BV (x)	8.7	7.2	6.2	5.3	4.6
EV/EBITDA (x)	33.5	26.5	22.1	18.2	16.2
ROE (%)	17.8	20.9	20.7	20.5	18.9
ROCE (%)	16.5	20.4	20.2	20.1	18.6

Source: Company; Mirae Asset Sharekhan estimates

Introduces BEVs as per schedule

- ◆ M&M has introduced INGLO platform, which serves as the foundation for the BE.6e and XEV.9e BEVs. This platform boasts a flexibility and stability. The BEVs offer battery options of 59 kWh and 79 kWh, delivering an impressive range. These models utilize LFP battery chemistry and cell-to-pack technology, with fast-charging capabilities.
- ◆ Key features of the new models include: (1) Lifetime battery warranty for first-time private registered owners, (2) A 3-in-1 integrated powertrain. (3) Fast DC charging capability, offering 20-80% charge in under 20 minutes. (4) ADAS Level 2+ (Advanced Driver Assistance System). (5) Harman Kardon sound system with Dolby Atmos, Secure 360, and auto-park features.
- ◆ M&M has previously outlined a medium-term target of achieving 20-30% penetration of E-PVs (Electric Passenger Vehicles) and plans to launch seven BEVs by 2030, focusing on markets in India and internationally.

Automobiles business

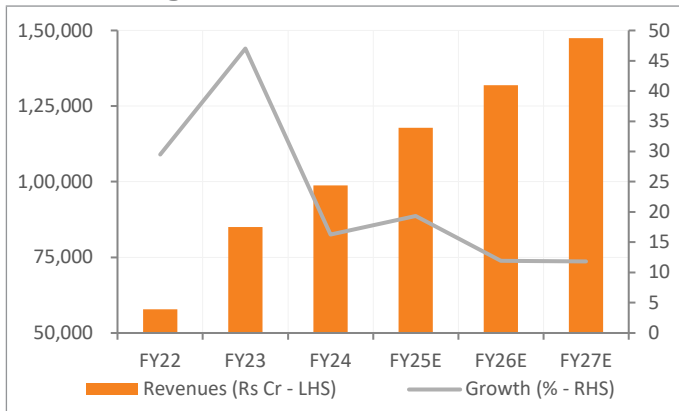
- ◆ With addition of new capacities and successful launches M&M is expected to outperform the PV industry in coming period. Manufacturing capacity in PV business has reached 54,000/month and would further expand to 56,000/month in the next few months.
- ◆ M&M has maintained its mid to high teen volume growth guidance for its PV portfolio in FY2025. PV industry performed well during the festive season. Backed by strong deliveries, M&M's inventory levels have come down to under 30 days. Management believes growth momentum its PV portfolio is likely to sustain in the coming period.
- ◆ Urban segment has been facing stress, while the rural segment has seen a healthy uptick. Raw-material cost trend for the auto segment is likely to be benign for the coming quarter.

Agri business

- ◆ Management expects double-digit growth in the tractor industry in H2FY2025 on account of healthy monsoon, rising reservoir levels, hike in MSPs, and favourable terms of trade. Backed by better rural economy, M&M has revised the tractor industry's growth upwards to 6-8% for FY2025E as compared to up to 5% earlier. This implies 13-15% growth in the tractor industry in H2FY2025E.
- ◆ Cash flow from the farm segment in H1FY2025 stood at Rs. 1,555 crore. The company is facing headwinds in the international farm business mainly due to macroeconomic issues.
- ◆ There is room for further growth in the farm implement segment, as it is performing below its full potential.
- ◆ Management is optimistic about growth prospects in the farm equipment segment in FY2026 backed by healthy monsoon trends and rising reservoirs. Rising rubber prices are a cause of concern in the farm equipment segment.

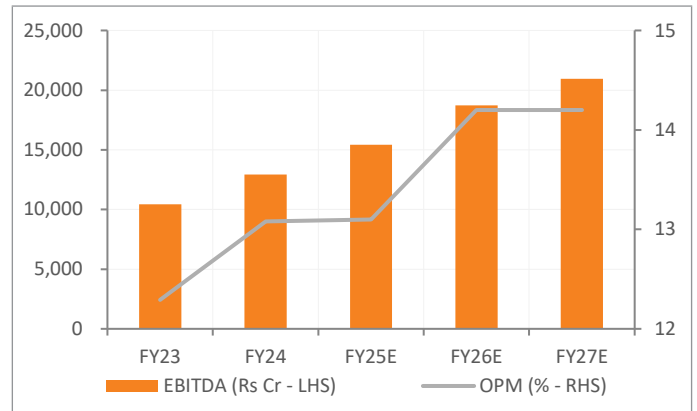
Financials in charts

Revenue and growth trend



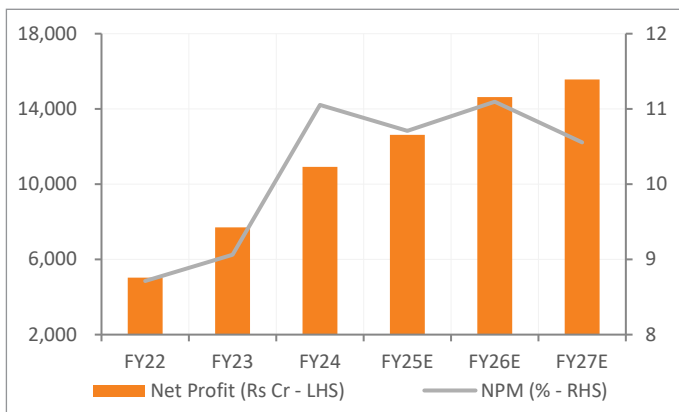
Source: Company, Sharekhan Research

EBITDA - OPM trend



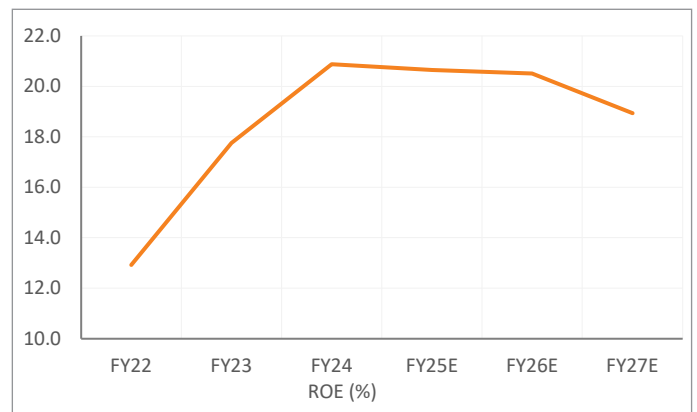
Source: Company, Sharekhan Research

Profit and NPM trend



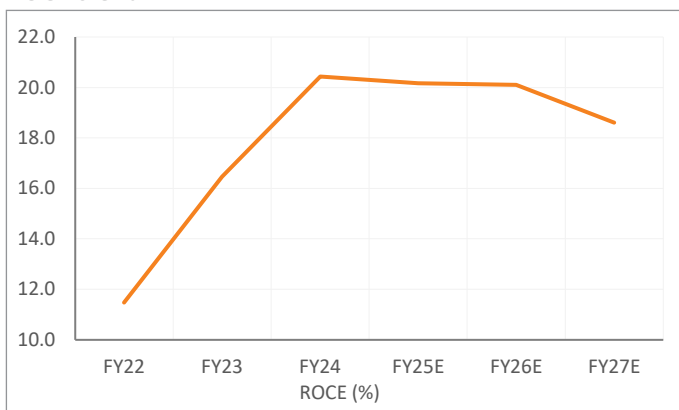
Source: Company, Sharekhan Research

ROE trend



Source: Company, Sharekhan Research

ROCE trend



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Demand likely to pick up in automotive and moderation is given in farm equipment segment

We expect tractor sales volumes to remain healthy over the next couple of years, aided by healthy rural cash flows. Growth might moderate in the medium term due to high base. We expect the rural economy would recover with a healthy rate led by the government's grounded initiatives for agriculture and farming sector, higher grain prices in Mandis than MSPs, and healthy reservoir levels. Further PV segment is expected to register single digit volume growth in FY25 on the back of robust volume performance in FY24. However, we believe that PV cycle is on structural uptick phase. The shift in demand from cars segment to SUVs would help OEMs to generate healthy operating performance. Along with that MHCV cycle would continue to follow the macro uptrend. The revival in bus segment and rise in replacement demand would support the growth in CV segment.

■ Company Outlook – Healthy traction continue

We expect M&M to benefit from its leadership status in the tractor segment, strengthening position in the LCV segment, and regaining its market share in the highly competitive SUV segment. M&M is on track its growth roadmap in EV segment. The company eyes 10x growth in its farm equipment business by FY2027E, while strengthening its SUV segment via new launches. M&M is timely addressing the capacity constraints in the PV segment. Given the high exposure towards rural economy, M&M is expected to do well on recovery in rural areas. M&M generates 65% of its volumes from the rural segment. It has been a market leader in the tractor segment. While the growth in tractor industry is expected to moderate due to high base, we believe M&M would grow ahead of the industry due to its market leadership position and deep penetration in the rural market. Besides its core tractor business, the company has been focussing on the expansion in the farm machinery business. Currently M&M is focussing on expansion of the agri business in place of targeting a specific operating performance. The company has laid down a strong roadmap for its automotive segment by investing in technology and launching new products regularly to regain its market share in the segment. M&M's focus continues to drive bookings in key brands – Thar, Scorpio, and Bolero, despite long waiting periods.

■ Valuation – Maintain Buy with a revised PT of Rs. 3,600

M&M has enhanced its guidance for tractor industry as it now assumes that the tractor industry can grow by 6-8% in FY2025 (versus up to 5% earlier) and optimism continues for FY2026, backed by rising reservoir levels. Management has maintained its mid to high teen growth guidance for the PV portfolio in FY25 as rural markets are offering growth opportunities, while urban markets are facing headwinds. Management eyes healthy ROEs along with suitable growth across business lines. It is consistently focusing on improving its operating profitability, given that it has been sustaining its AEBITDA margin above 14% level for last two quarters. Historically, M&M's operating performance has largely depended on the tractor segment; however, we believe that the automobiles segment would substantially contribute to profitability in the coming period. We maintain our BUY rating on the stock with an SOTP-based revised PT of Rs. 3,600 due to healthy traction in its PV segment, market leadership in the tractor segment, opportunity to grow in the farm machinery segment, and its roadmap to play in the EV space.

Change in earning estimates

Particulars	Earlier			New			Rs. Cr		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,17,872	1,31,934	1,47,539	1,17,872	1,31,934	1,47,539	0.0%	0.0%	0.0%
EBITDA	15,441	18,735	20,951	15,441	18,735	20,951	0.0%	0.0%	0.0%
EBITDA margin	13.1%	14.2%	14.2%	13.1%	14.2%	14.2%			
APAT	12,624	14,641	15,575	12,624	14,641	15,575	0.0%	0.0%	0.0%
AEPS (Rs)	102	118	125	102	118	125	0.0%	0.0%	0.0%

Source: Company; Sharekhan Research

About company

M&M is the flagship company of Mahindra Group. M&M's core business houses the automotive and tractor segments. M&M is the only automotive company that is virtually present across all segments. The company is the market leader in LCVs and is a leading UV and 3W player. M&M also manufactures medium and heavy commercial vehicles (MHCV) and is present in the 2W space through its investment in Jawa. Apart from being a strong player in the automotive space, M&M is the market leader in the tractor segment, having a market share of about 40%. Apart from the core business, M&M is also the promoter/holds controlling interest in companies that are engaged in diverse businesses under the Mahindra brand (IT services, NBFC, logistics, hospitality, real estate, and auto ancillary business).

Investment theme

M&M expects the tractor industry's growth to remain buoyant with strong farm sentiments on account of higher rainfall, expected increase in kharif output, and increased government spending. Higher ground water reservoir levels coupled with robust farmer cash flows mean tractor demand would remain decent even at high base. Automotive volumes are also improving. With the success of new launches (Thar with strong bookings) and inventory filling (automotive inventory is lower than normal), automotive demand is expected to improve further. Going ahead, M&M's strategy revolves around tighter capital allocation, exit from loss-making subsidiaries, and focusing on the core UV business and emerging EV businesses. The company has started to take concrete steps to achieve and sustain 18% RoE from all its businesses, which makes a compelling case for re-rating of the stock. This would further substantially reduce losses in overseas subsidiaries and act as a key re-rating trigger for M&M. We maintain our Buy call on the stock.

Key Risks

- ◆ Uneven distribution of monsoons can affect our volume estimates for M&M's farm equipment segment.
- ◆ Unsuccessful or delayed launches may affect the company's growth prospects.

Additional Data

Key management personnel

Anand G Mahindra	Chairman
Anish Shah	Managing Director and CEO
Rajesh Jejurikar	Executive Director (Auto and Farm Sectors)
Amarjyoti Barua	Group Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	PRUDENTIAL MGMT & SERVICES	10.6
2	Life Insurance Corp of India	6.9
3	M&M Benefit Trust	6.8
4	SBI Funds Management Ltd	4.1
5	MAHINDRA & MAHIN EMP STK OP TRST	3.5
6	Blackrock Inc	3.3
7	Vanguard Group Inc/The	3.1
8	First Sentier Investors ICVC	2.5
9	Republic of Singapore	2.4
10	FIRST SENTIER INVESTORS LLC	1.7

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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