

BONANZA WEALTH MANAGEMENT RESEARCH

05th March 2025

Mahindra & Mahindra- BUY

CMP : Rs. 2,728.0
Target Price : Rs.3,441.0
Upside : 26.2%
Stop Loss : Rs.2,350.0 (Closing basis)

Investment Thesis

- Mahindra & Mahindra Limited (M&M)** SUV volumes grew by 16% in Q3FY25 led by robust demand for the recently launched XUV3XO and steady demand trends for XUV700 and Scorpio models. Strong growth in XUV700 is also supported by attractive discounts offered by the company since Jul-24, as a demand slowdown was anticipated, aided by the reduction in chip procurement costs and cost reduction efforts using value engineering. Despite the reduction in prices of XUV700, M&M has posted strong volume growth while maintaining its EBIT margins at 9.7% sequentially. The company believes that its SUV segment will continue to thrive in the coming quarters and is aiming for growth in its SUV segment to be in the mid to high teens compared to the previous year in FY25.
- Domestic tractor industry volumes grew by 0.6% YoY in H1FY25 however the company expects industry to grow in double digits in H2FY25 on the back of 1) healthy reservoir levels, especially in southern and central regions, which bode well for the upcoming rabi season 2) Centre approved MSP hikes on key crops for season 2025-26 and 3) a favorable base. M&M has revised its guidance for the domestic tractor industry to 6-7% for FY25 from 5% earlier. During the festival season, management highlighted that M&M tractor volumes grew in double-digit led by positive farm sentiment. M&M's market share improved by 240bps YoY to 44.2% in Q3FY25.
- M&M plans to invest an overall capex of Rs. 37,000 crores over FY25E-27E in the standalone entity (M&M + MEAL + LMM). Out of the total capex of Rs. 37,000 crores, M&M will invest Rs. 27,000 crores in auto segment (Auto ICE – Rs. 14,000 crores, Auto EV (MEAL) – Rs. 12,000 crores and Investment – Rs. 1,000 crores) with 70-80% allocated for product development and balance towards capacity expansion. M&M will invest Rs. 5,000 crores to farm business and remaining Rs. 5,000 crores towards investment in growth gems. The 'growth gems' comprising 10 businesses, which include 3 listed entities -- Lifespace, Logistics and Holidays -- and seven unlisted entities

Financials

- M&M Q3FY25 standalone revenue grew to Rs. 305.4 bn up by 20.3% YoY / 10.8% QoQ with automotive / tractor sales volumes growing by 17% YoY / 20% YoY.

Stand. (Rs. Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,77,869	8,49,603	9,90,977	11,35,234	13,36,170
EBITDA	70,275	1,04,424	1,31,454	1,66,689	1,94,536
EBITDA Margin (%)	12.2%	12.3%	13.3%	14.7%	14.6%
PAT	51,202	79,330	1,06,423	1,18,257	1,48,176
EPS (Rs.)	41.2	63.8	85.6	95.0	119.1
P/E (x)	66.2	42.8	31.9	28.7	22.9
RoE (%)	14.0%	19.5%	22.3%	20.8%	21.9%

Stock Data

Market Cap (Rs. Mn)	33,92,347
Market Cap (\$ Mn)	38,956
Shares O/S (in Mn)	1,243.53
Avg. Volume (3 month)	31,12,073
52-Week Range (Rs.)	3,271 / 1,789

Shareholding Pattern

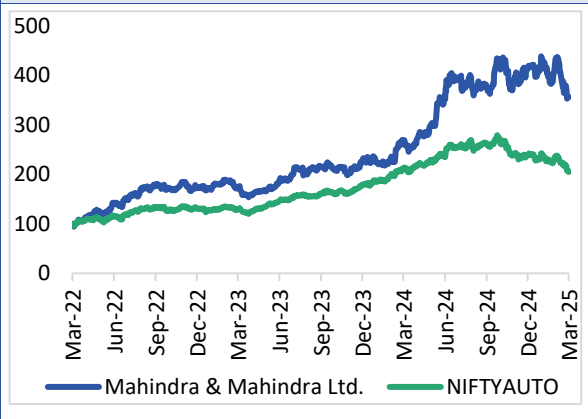
Promoters	18.48%
FII's	38.92%
Institutions	29.22%
Others (incl. body corporate)	13.38%

Key Ratios

Div Yield	0.77%
TTM PE	28.37x
ROE	22.3%
TTM EPS (Rs.)	92.13/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	(18.1%)	(5.0%)	36.0%
NIFTYAUTO	(4.2%)	16.9%	38.8%



- EBITDA in Q3FY25 came in at Rs. 43.5 bn up by 31.9% YoY / 10.0% QoQ with EBITDA margin at 14.2% up by 120bps YoY, led by improved product mix.
- Adjusted PAT grew by 19.0% YoY to Rs. 29.6 bn in Q3FY25, however, this growth was moderated by higher than anticipated tax and depreciation.
- Auto sales volumes by 16%. SUV market share increased by 200bps to 23%. LCV sales grew by 7%, and farm vehicle sales climbed by 20%, boosting market share by 240bps to 44.2%.

Key Business Highlights

- M&M is the flagship company of the Mahindra Group, focusing on the automotive and tractor sectors. It is the only OEM with a presence in nearly all segments and leads the market in LCVs, as well as being a key player in UVs and 3Ws. M&M also manufactures medium and heavy commercial vehicles (MHCV) and is present in the 2W space through its investment in Jawa. Additionally, it holds about 44% of the tractor market share.
- M&M has recently launched BE 6 and XEV 9E SUVs are shaking up the market with bold, wallet-friendly (aggressive) pricing that align closely with competition in the ICE segment. These models are available with 59 kWh and 79 kWh battery options, offering an ~420 km and ~525 km, respectively.
- With the launch of BE 6, the company is further augmenting the portfolio (XUV400) in mid-size segment and will rival the likes of Hyundai Creta, Maruti Grand Vitara and Tata Curvv.
- Management has also highlighted that channel inventory for M&M's PV segment is below 30 days at the end of October.
- M&M launched the Born Electric SUVs on the INGLO platform, which provides adaptability, customization, and weight optimization. MAIA acts as the vehicle's brain, managing advanced features like ADAS level 2+, multi-sensor fusion, secure 360, and auto park.
- Management has highlighted that international farm business is seeing some challenges as one of the key subsidiary situated in North America where the market has shrunk significantly. Although management expects this trend to reverse as interest rates comes down.
- M&M revised its farm business outlook to 6-7% in FY25 on the back of strong domestic demand, indicating the H2FY25 growth to be 15%. The revision was on account of healthy monsoon, rising reservoir levels and hike in MSPs.
- Management noted that the price reductions for XUV 700 stemmed from softening commodity prices and an improved product mix, without impacting margins.

Valuation

- M&M's robust demand across its SUV and tractor segments—driven by innovative product launches, strategic pricing, and operational efficiencies—combined with a significant, innovation-focused investment plan, positions the company for sustainable growth and resilient margins. We are assigning **BUY** rating to **Mahindra & Mahindra Ltd. (M&M)** and value at 28.9x FY26E EPS of Rs.119.1 to arrive at **target price of Rs. 3,441.00, an upside of ~26.2%**.

Risk & Concern

- Uneven rainfall could impact M&M's farm business.
- Delayed launches may impact company's growth prospects.
- Untimely capex may negatively impact the company's operational efficiency and financial performance.
- Rising subcontracting cost may impact the company's operating margins negatively.

Graphs & Charts

Figure 1: Net Sales Trend

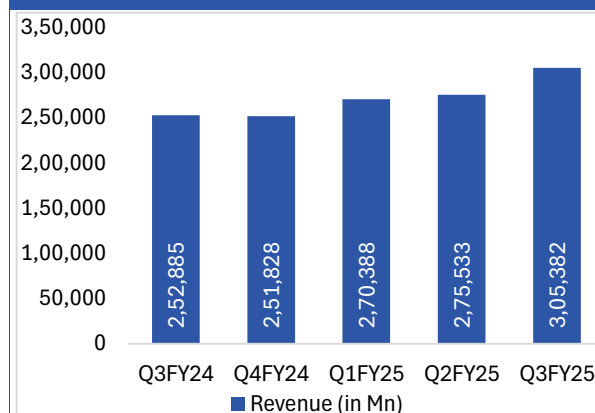


Figure 2: EBITDA & EBITDA Margin Trend

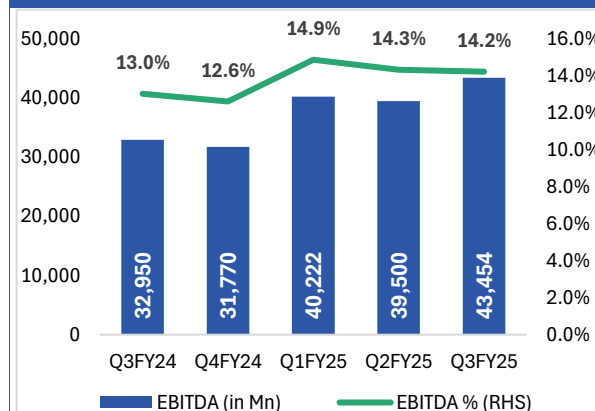


Figure 3: M&M Sales Volumes (in '000)

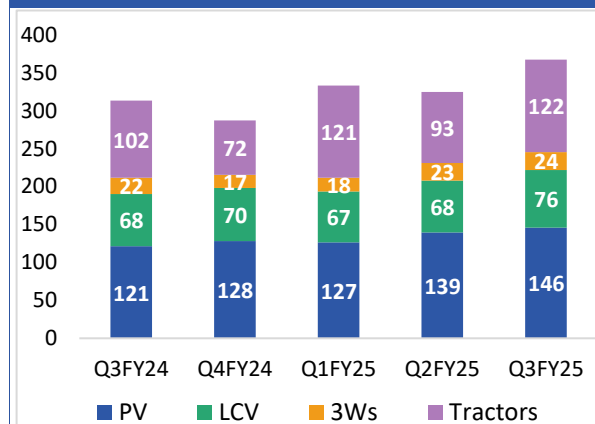
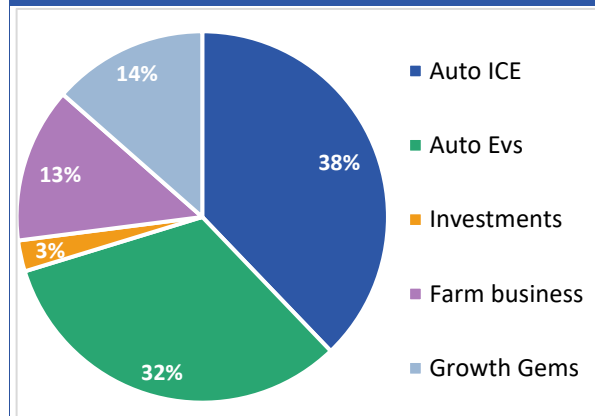


Figure 4: Capex Structure FY25-27E



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