

India

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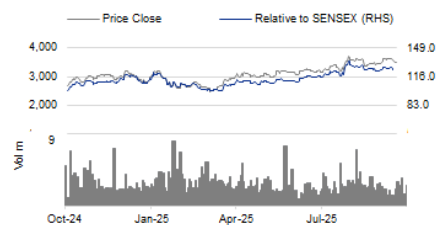
Consensus ratings*: Buy 41 Hold 2 Sell 0

Current price:	Rs3,549
Target price:	Rs4,157
Previous target:	Rs4,157
Up/downside:	17.1%
InCred Research / Consensus:	2.8%
Reuters:	MAHM.NS
Bloomberg:	MM IN
Market cap:	US\$49,708m
	Rs4,413,160m
Average daily turnover:	US\$97.5m
	Rs8653.8m
Current shares o/s:	1,116.3m
Free float:	81.4%

*Source: Bloomberg

Key financial forecast

	Mar-26F	Mar-27F	Mar-28F
Net Profit (Rsm)	141,490	155,758	171,513
Core EPS (Rs)	126.75	139.53	153.64
Core EPS Growth	10.6%	10.1%	10.1%
FD Core P/E	28.00	25.43	23.10
Recurring ROE	21.3%	20.2%	19.2%
P/BV (x)	5.55	4.78	4.15
DPS (Rs)	29.00	34.00	37.50
Dividend Yield	0.88%	1.03%	1.14%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	2.5	12.3	26.0
Relative (%)	(0.9)	7.8	19.6

Major shareholders

	% held
Mahindra Family	18.6
LIC	6.7
SBI Mutual Fund	3.8

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Mahindra & Mahindra

Tractor biz impressive, automotive stable

- 2QFY26 EBITDA growth of 17% yoy was driven by tractors, while the automotive biz was flattish. Missed estimate by 3%, adjusted for PLI benefit.
- Management raises tractor industry volume growth outlook to early double-digits. Retain FY26F EBITDA estimate, with a 4% yoy rise in 2H.
- Strong sales volume momentum supports the rich forward P/E valuation of +3SD. Maintain ADD rating on the stock with a target price of Rs4,157.

PLI benefit boosts automotive biz, while tractor growth impressive

- Net sales of Mahindra & Mahindra (M&M) in 2QFY26 rose by 21% yoy but fell 3% qoq to Rs332bn post adjustment of Rs2.33bn PLI benefit, which were 3% above InCred estimate but 2% below consensus estimate.
- EBITDA rose by 17% yoy but declined 5% qoq to Rs.46bn, which was 3% below InCred and Bloomberg consensus estimates.
- The EBIT margin at 8.3% for the automotive segment (-121bp yoy & -61bp qoq) was a drag due to the electric vehicle division, while the farm equipment segment was steady at 19.7%.
- Normalised EPS stood at Rs41, up 21% yoy and 27% qoq, a 10% beat vs. InCred estimate and 16% vs. Bloomberg consensus estimate.

Management conference-call highlights

- Management gave guidance of 10–12% tractor industry growth for FY26F. Export business is likely to see growth as markets such as Sri Lanka, Bangladesh, Nepal, and Algeria have recently reopened.
- Trem-5 emission norms for small tractors are expected with Apr 2026 as the deadline. However, they may get delayed as the industry body has requested for Apr 2028 deadline.
- In passenger vehicles, the company expects mid-to-high double-digit growth in FY26F. During 2Q, volume grew only by 7%, partly due to the Goods and Services Tax cut-led logistic challenges, although Oct 2025 made up for the previous month's shortfall.
- M&M's EV penetration stands at 8.7% vs. 7.4% for industry. Revenue market share reached 37.9% in 1HFY26, with the EBITDA margin at 5.3%. Received Rs2.33bn production-linked incentive (PLI) scheme incentive (post-tax) for its XUV 9e model, while the BE 6 model is yet to qualify for PLI benefit.
- Precious metal prices rose, but M&M's hedging policy limited the impact. Magnet supply covered for 3QFY26 but normalization expected by 4QFY26F.
- GST rate cut on small cars to attract first-time buyers who may upgrade to sports utility vehicles (SUVs) later; lower internal combustion engine (ICE) vehicle prices haven't affected EV demand yet.
- The light commercial vehicle (LCV) segment reported a 100bp improvement in market share but expects low double-digit growth for the full year.

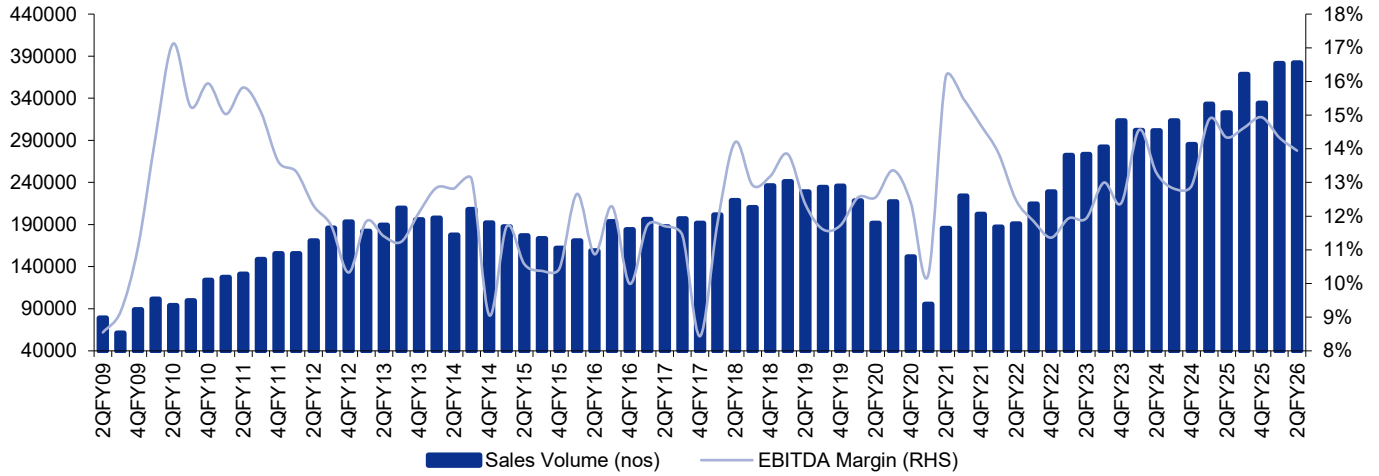
Figure 1: Results comparison

Y/E Mar (Rs m)	2QFY26	2QFY25	yoy % chg	1QFY25	qoq % chg	Comments
Revenue	3,31,886	2,75,533	20.5	3,40,832	(2.6)	3% above our estimate.
Raw material costs	2,52,786	2,04,440	23.6	2,59,207	(2.5)	
RM costs as a % of revenue	76.2	74.2	197	76.1	12	
EBITDA	46,285	39,497	17.2	48,840	(5.2)	2% below our estimate.
EBITDA margin (%)	13.9	14.3	(39)	14.3	(38)	75bp below our estimate.
Depreciation & amortisation	10,406	9,614	8.2	9,999	4.1	-
EBIT	35,879	29,884	20.1	38,841	(7.6)	
Interest expenses	590	551	7.0	559	5.5	
Other income	23,599	19,400	21.6	7,913	198.2	31% above our estimate.
Pre-tax profit	58,887	48,732	20.8	46,195	27.5	9% above our estimate.
Tax	13,299	10,901	22.0	10,214	30.2	
Tax rate (%)	22.6	22.4	22	22.1	47.4	
Normalised net profit	45,588	37,831	20.5	35,981	26.7	10% above our estimate.
Exceptional items	140	1,033	nm	-	nm	-
Other comprehensive income	-	(456)	nm	(1,483)	nm	
Reported net profit	45,728	38,409	19.1	34,498	32.6	
Normalised EPS (Rs)	41.0	34.0	20.5	32.4	26.7	
Volume (nos.)	3,81,892	3,22,531	18.4	3,81,338	0.1	
Net realisation (Rs)	8,69,057	8,54,283	1.7	8,93,780	(2.8)	-
EBITDA/vehicle	1,21,199	1,22,460	(1.0)	1,28,075	(5.4)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Tractor biz impressive, automotive stable

Figure 2: Quarterly sales and EBITDA margin trends



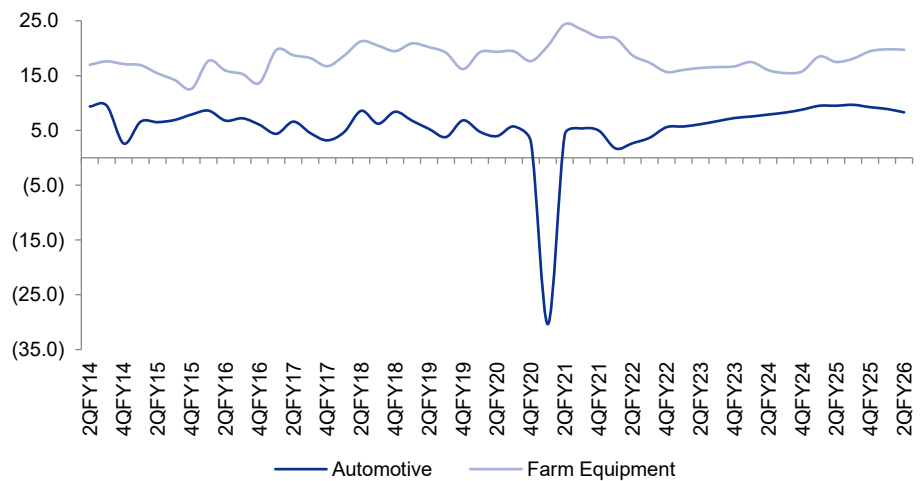
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Divisional performance

	2QFY26	2QFY25	yoy chg	1QFY26	qoq chg
Automotive					
Net sales	2,46,961	2,11,103	17.0%	2,49,489	-1.0%
EBIT	20,481	20,060	2.1%	22,209	-7.8%
EBIT margin (%)	8.3%	9.5%	(121)	8.9%	(61)
Farm Equipment					
Net sales	85,399	64,968	31.4%	91,864	-7.0%
EBIT	16,835	11,362	48.2%	18,187	-7.4%
EBIT margin (%)	19.7%	17.5%	222	19.8%	(8)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Segment-wise EBIT margin trend (%)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	1,165,680	1,333,950	1,532,831	1,703,358
Gross Profit	302,279	337,489	381,675	422,433
Operating EBITDA	172,069	191,360	216,346	239,051
Depreciation And Amortisation	(42,268)	(48,057)	(58,029)	(65,469)
Operating EBIT	129,801	143,303	158,318	173,582
Financial Income/(Expense)	(2,505)	(2,700)	(3,500)	(4,000)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	38,527	43,150	47,466	53,161
Profit Before Tax (pre-EI)	165,824	183,753	202,283	222,744
Exceptional Items				
Pre-tax Profit	165,824	183,753	202,283	222,744
Taxation	(37,952)	(42,263)	(46,525)	(51,231)
Exceptional Income - post-tax				
Profit After Tax	127,872	141,490	155,758	171,513
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	127,872	141,490	155,758	171,513
Recurring Net Profit	127,872	141,490	155,758	171,513
Fully Diluted Recurring Net Profit	127,872	141,490	155,758	171,513

Cash Flow

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	172,069	191,360	216,346	239,051
Cash Flow from Invt. & Assoc.				
Change In Working Capital	28,092	(32,427)	(8,138)	14,585
(Incr)/Decr in Total Provisions	6,471	(5,000)	(5,000)	(5,000)
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(2,610)	(8,500)		
Net Interest (Paid)/Received	36,023	40,450	43,966	49,161
Tax Paid	(37,952)	(42,263)	(46,525)	(51,231)
Cashflow From Operations	202,092	143,620	200,648	246,567
Capex	(64,757)	(116,508)	(80,000)	(145,469)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(54,727)	(1,106)	(37,000)	(30,000)
Cash Flow From Investing	(119,483)	(117,614)	(117,000)	(175,469)
Debt Raised/(repaid)	(4,498)	(5,000)	(5,000)	(500)
Proceeds From Issue Of Shares	8			
Shares Repurchased				
Dividends Paid	(30,020)	(34,823)	(40,827)	(45,029)
Preferred Dividends				
Other Financing Cashflow	4,555			
Cash Flow From Financing	(29,955)	(39,823)	(45,827)	(45,529)
Total Cash Generated	52,654	(13,816)	37,822	25,569
Free Cashflow To Equity	78,111	21,006	78,648	70,598
Free Cashflow To Firm	85,114	28,706	87,148	75,098

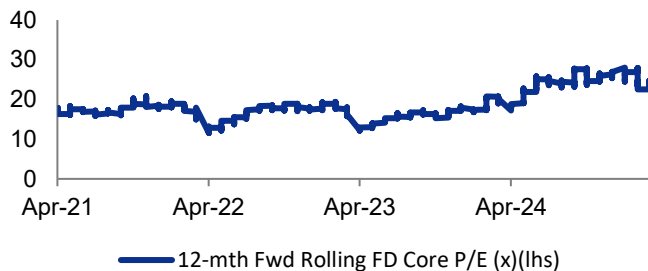
Balance Sheet

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	238,800	199,089	243,911	269,480
Total Debtors	57,256	76,748	96,589	107,335
Inventories	103,333	127,913	138,585	154,002
Total Other Current Assets	47,709	54,209	60,709	67,209
Total Current Assets	447,098	457,958	539,793	598,025
Fixed Assets	251,835	303,778	325,750	405,750
Total Investments	223,786	250,786	280,786	310,786
Intangible Assets				
Total Other Non-Current Assets				
Total Non-current Assets	475,621	554,564	606,536	716,536
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	234,058	245,703	268,077	308,826
Other Current Liabilities				
Total Current Liabilities	234,058	245,703	268,077	308,826
Total Long-term Debt	11,351	6,351	1,351	851
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	11,351	6,351	1,351	851
Total Provisions	44,951	46,451	47,951	49,451
Total Liabilities	290,360	298,505	317,379	359,128
Shareholders Equity	615,851	714,018	828,950	955,433
Minority Interests				
Total Equity	615,851	714,018	828,950	955,433

Key Ratios

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	17.0%	14.4%	14.9%	11.1%
Operating EBITDA Growth	25.1%	11.2%	13.1%	10.5%
Operating EBITDA Margin	14.8%	14.3%	14.1%	14.0%
Net Cash Per Share (Rs)	203.75	172.66	217.29	240.64
BVPS (Rs)	551.68	639.62	742.58	855.89
Gross Interest Cover	51.82	53.08	45.23	43.40
Effective Tax Rate	22.9%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	23.5%	24.6%	26.2%	26.3%
Accounts Receivables Days	16.09	18.33	20.64	21.85
Inventory Days	41.93	42.35	42.25	41.69
Accounts Payables Days	88.77	87.87	81.45	82.19
ROIC (%)	44.8%	47.5%	37.5%	36.8%
ROCE (%)	21.6%	20.6%	19.8%	19.0%
Return On Average Assets	15.4%	14.8%	14.7%	14.2%

12-mth Fwd Rolling FD Core P/E (x)



Key Drivers

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	3.7%	2.8%	3.7%	2.9%
Unit sales grth (% main prod./serv.)	12.8%	11.3%	10.9%	8.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.