

# Mahindra & Mahindra | BUY

## Healthy Qtr; Tractors reviving; Auto momentum to moderate

Mahindra & Mahindra (M&M) reported 2QFY25 EBITDA margin of 14.3% (+170bps YoY), slightly below JMFe. Festive retails (both Auto and Farm) grew in double-digits. And, the company has raised its FY25 domestic tractor industry vol. growth guidance to 6-7% (vs. 5% earlier). Rural sentiments have turned positive led by above-normal monsoon / reservoir levels. In the auto segment, gradual addition to SUV capacity and recent / new launches are expected to drive near-term sales growth momentum. Higher operating leverage and benign commodity costs are expected to support the margin performance. Driven by strong execution in autos and healthy outlook for farm segment, we maintain BUY with a Mar'26 TP of INR 3,325 (SOTP valuation, 24x core business). Success of upcoming launches (EV and ICE) remains a key monitorable.

- 2QFY25 – Healthy performance:** M&M reported net sales of INR 275bn (+13% YoY, +2%QoQ), in line with JMFe. EBITDA stood at INR 39.5bn (+29%YoY & -2% QoQ), 2% below JMFe. EBITDA margin stood at 14.3% (+170bps YoY, -50bps QoQ), 40bps below JMFe. Auto EBIT margin stood at 9.5% (+50bps YoY, flat QoQ), 50bps above JMFe. Reported farm segment EBIT margin stood at 17.5% (+150bps YoY, -100bps QoQ), 50bps below JMFe. Adj. PAT for the quarter stood at INR 38.4bn (+11%YoY, +47% QoQ), c.8% above JMFe due to higher than expected other income.
- FES segment - 2QFY25 update & outlook:** M&M's total tractor volume stood at c.93k units (+4% YoY, -23% QoQ). Its tractor market share improved by 90bps YoY to 42.5% during 2QFY25. The company is witnessing green shoots of revival in tractor demand led by 1) Above-normal rainfall and reservoir levels 2) Favourable terms of trade and price realisation in mandis and 3) Improved government spends on rural. Overall, the industry is expected to grow by 13-15% in 2HFY25 and the company raised full-year FY25 vol. guidance to 6-7% (vs. 5% earlier) led by continued growth momentum (strong double-digit retail growth during festive period). With respect to international markets, US small tractor (<100HP) market continues to remain muted (11 qtrs. of decline). However, the company expects demand revival in the coming months led by lower interest rates. In respect of Farm Machinery (FM), revenue for 2Q grew by 14% YoY to INR 2.5bn. M&M is aiming for 40% CAGR growth in the medium-term in this category and expect significant improvement in its profitability over next ~24 months
- Automotive segment - 2QFY25 update & outlook:** M&M's revenue market share for SUV segment increased 190bps to 21.9% during 2Q (FY24: 20.4%). Recently launched 'Thar Roxx' has been received well and cos. strategy to cut price of XUV700 helped maintain growth momentum for the brand besides maintaining overall Auto margins led by favourable mix and lower commodity prices. Overall, the company expects growth momentum to continue and has guided for 15-18% vol. growth in SUVs during FY25 led by recent launches. With respect to EVs, M&M plans to unveil its born electric SUVs - BE 6e and XEV 9e in Nov'24 with deliveries starting in early-2025. The company has planned an e-SUV capacity of 100k units per annum to start with. With respect to margins, M&M aims for 10% EBIT margin for ICE SUVs in the near-to-medium term. In the near-term, margins are expected to moderate owing to higher marketing / new-launch expenses.



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(We acknowledge the support services of Sahil Malik and Dev Jogani in preparation of this report)

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,325
Upside/(Downside)	13.3%
Previous Price Target	3,175
Change	4.7%

### Key Data – MM IN

Current Market Price	INR2,935
Market cap (bn)	INR3,649.2/US\$43.3
Free Float	67%
Shares in issue (mn)	1,189.9
Diluted share (mn)	1,199.2
3-mon avg daily val (mn)	INR9,682.2/US\$114.8
52-week range	3,222/1,474
Sensex/Nifty	79,512/24,211
INR/US\$	84.4

### Price Performance

%	1M	6M	12M
Absolute	-2.7	31.9	97.2
Relative*	-1.2	21.3	59.3

\* To the BSE Sensex

### Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	849,603	987,634	1,117,707	1,278,821	1,421,760
Sales Growth (%)	47.0	16.2	13.2	14.4	11.2
EBITDA	104,424	129,194	159,637	178,685	195,732
EBITDA Margin (%)	12.3	13.1	14.3	14.0	13.8
Adjusted Net Profit	79,782	107,178	120,274	138,218	155,040
Diluted EPS (INR)	66.6	89.4	100.3	115.3	129.3
Diluted EPS Growth (%)	56.9	34.2	12.2	14.9	12.2
ROIC (%)	35.9	42.3	45.3	44.8	45.3
ROE (%)	19.6	22.4	21.1	20.4	19.4
P/E (x)	44.1	32.8	29.3	25.5	22.7
P/B (x)	8.1	6.7	5.7	4.8	4.1
EV/EBITDA (x)	32.6	26.1	20.9	18.3	16.2
Dividend Yield (%)	0.4	0.7	0.7	0.7	0.7

Source: Company data, JM Financial. Note: Valuations as of 06/Nov/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

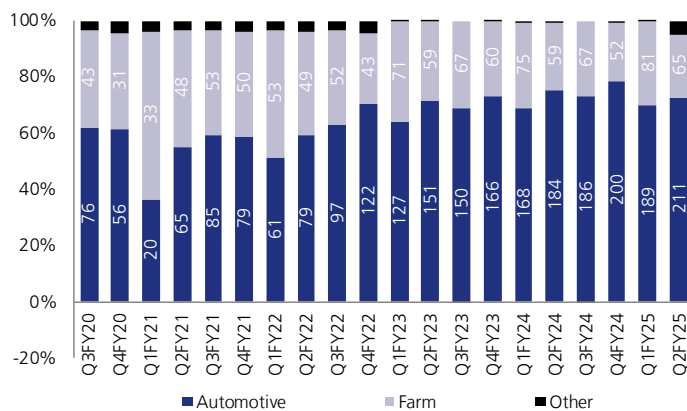
- **Other highlights:** 1) Inventory level: Auto – Stands at a comfortable level of <30 days as at Oct'24-end. Farm segment – Needs some correction though not significant. 2) E3W volumes during 2QFY25 were 21.1k units (+14% YoY) and market share stood at 43.6%. The company indicated that with rise in competition, it expects EV penetration to increase (currently at 20%). 3) LCV industry growth witnessed a positive turnaround during second-half of Oct as mandi arrivals increased by 20%. And, the company expects this demand revival to continue. 4) The company plans to file for PLI for upcoming EV launches in Nov-Dec'24 and expects to receive approval for few variants over 90 days post filling. 5) M&M remains committed to sustaining at least 18% ROE for its group operations.

Exhibit 1. Quarterly financial result (standalone)

(INR mn)	Q2FY25	Q2FY24	% YoY	Q1FY25	% QoQ	Q2FY25E	% A/E
<b>Sales</b>	<b>275,533</b>	<b>243,099</b>	<b>13.3</b>	<b>270,388</b>	<b>1.9</b>	<b>274,981</b>	<b>0.2</b>
Cost of Goods Sold	204,440	183,793	11.2	199,394	2.5	203,486	0.5
As a % of sales	74.2	75.6	-140bps	73.7	50bps	74.0	20bps
Staff Cost	11,526	11,262	2.3	11,753	-1.9	11,549	-0.2
As a % of sales	4.2	4.6	-40bps	4.3	-20bps	4.2	0bps
Other expenses	20,069	17,384	15.4	19,018	5.5	19,524	2.8
As a % of sales	7.3	7.2	10bps	7.0	30bps	7.1	20bps
Expenditure	236,035	212,439	11.1	230,166	2.6	234,559	0.6
<b>EBITDA</b>	<b>39,497</b>	<b>30,660</b>	<b>28.8</b>	<b>40,222</b>	<b>-1.8</b>	<b>40,422</b>	<b>-2.3</b>
<b>EBITDA Margin (%)</b>	<b>14.3</b>	<b>12.6</b>	<b>170bps</b>	<b>14.9</b>	<b>-50bps</b>	<b>14.7</b>	<b>-40bps</b>
Other Income	19,978	21,500	-7.1	3,515	468.3	16,500	21.1
Interest	551	329	67.4	529	4.2	550	0.2
Depreciation	9,614	8,158	17.8	9,146	5.1	9,500	1.2
PBT	49,310	43,672	12.9	34,062	44.8	46,872	5.2
Tax	10,901	9,153	19.1	7,936	37.4	11,249	-3.1
Tax rate (%)	22.1	21.0	110bps	23.3	-120bps	24.0	-190bps
<b>PAT (Adjusted)</b>	<b>38,409</b>	<b>34,519</b>	<b>11.3</b>	<b>26,126</b>	<b>47.0</b>	<b>35,623</b>	<b>7.8</b>
<b>PAT Margin (%)</b>	<b>13.9</b>	<b>14.2</b>	<b>-30bps</b>	<b>9.7</b>	<b>430bps</b>	<b>13.0</b>	<b>100bps</b>

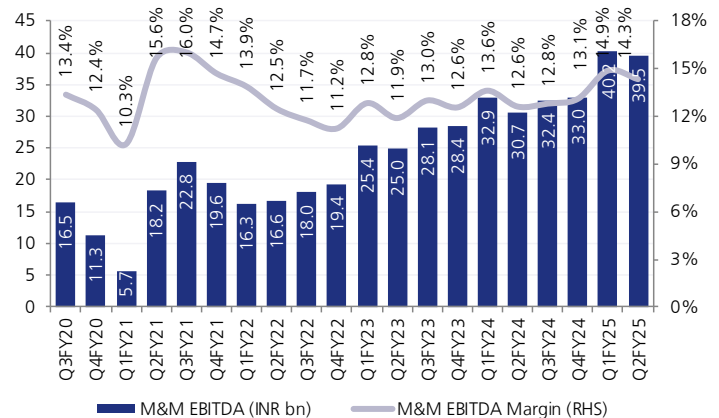
Source: Company, JM Financial

Exhibit 2. Standalone revenue mix (INR bn)



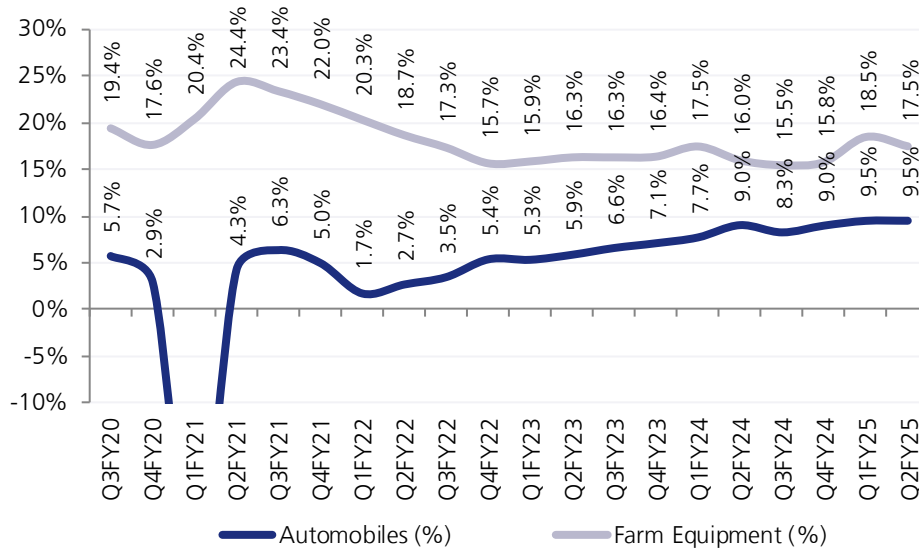
Source: Company, JM Financial

Exhibit 3. Standalone EBITDA trend



Source: Company, JM Financial

## Exhibit 4. Segment-wise EBIT margin



Source: Company, JM Financial

## Exhibit 5. M&amp;M (standalone) - change in assumptions

M&M	New assumption			Old assumption			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	1,117,707	1,278,821	1,421,760	1,135,291	1,297,770	1,441,928	-2%	-1%	-1%
Auto Volume (mn units)	919,361	1,021,223	1,107,320	931,464	1,034,086	1,120,777	-1%	-1%	-1%
Growth (%)	11%	11%	8%	13%	11%	8%			
Tractor Volume (mn units)	404,159	425,164	447,299	404,159	425,164	447,299	0%	0%	0%
Growth (%)	7%	5%	5%	7%	5%	5%			
EBITDA (INR mn)	159,637	178,685	195,732	160,980	179,644	195,872	-0.8%	-0.5%	-0.1%
EBITDA margin (%)	14.3%	14.0%	13.8%	14.2%	13.8%	13.6%	10bps	20bps	20bps
PAT (INR mn)	120,274	138,218	155,040	122,155	139,665	155,801	-1.5%	-1.0%	-0.5%
EPS (INR)	100	115	129	102	116	130	-1.5%	-1.0%	-0.5%

Source: Company, JM Financial

## Exhibit 6. SOTP valuation

	Methodology	Value per share (INR)
<b>Core business</b>	<b>24x Core EPS</b>	<b>2,600</b>
<b>PV EV Co.</b>	<a href="#">Refer link</a>	<b>170</b>
<u>Listed subsidiaries:</u>		
Tech Mahindra	20% discount to TP/CMP	305
Mahindra Finance	20% discount to TP/CMP	145
Mahindra Life	20% discount to TP/CMP	27
Mahindra Holiday	20% discount to TP/CMP	35
Mahindra Logistics	20% discount to TP/CMP	12
Swaraj Engines	20% discount to TP/CMP	13
EPC	20% discount to TP/CMP	1
CIE Automotive SA	20% discount to TP/CMP	17
<b>Total subsidiary value</b>		<b>555</b>
<b>Total Value - SOTP</b>		<b>3,325</b>

Source: JM Financial

## Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	849,603	987,634	1,117,707	1,278,821	1,421,760	
Sales Growth	47.0%	16.2%	13.2%	14.4%	11.2%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>849,603</b>	<b>987,634</b>	<b>1,117,707</b>	<b>1,278,821</b>	<b>1,421,760</b>	
Cost of Goods Sold/Op. Exp	645,582	740,064	829,338	955,279	1,066,320	
Personnel Cost	36,499	44,164	47,697	53,421	58,763	
Other Expenses	63,098	74,212	81,034	91,436	100,945	
<b>EBITDA</b>	<b>104,424</b>	<b>129,194</b>	<b>159,637</b>	<b>178,685</b>	<b>195,732</b>	
EBITDA Margin	12.3%	13.1%	14.3%	14.0%	13.8%	
EBITDA Growth	48.6%	23.7%	23.6%	11.9%	9.5%	
Depn. & Amort.	31,545	34,389	37,640	41,250	45,133	
EBIT	72,879	94,806	121,997	137,435	150,599	
Other Income	25,452	41,412	36,303	43,489	52,100	
Finance Cost	2,728	1,388	2,100	2,000	2,000	
PBT before Excep. & Forex	95,603	134,830	156,200	178,923	200,699	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	95,603	134,830	156,200	178,923	200,699	
Taxes	15,821	27,652	35,926	40,705	45,659	
Extraordinary Inc./Loss(-)	-14,295	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	65,486	107,178	120,274	138,218	155,040	
<b>Adjusted Net Profit</b>	<b>79,782</b>	<b>107,178</b>	<b>120,274</b>	<b>138,218</b>	<b>155,040</b>	
Net Margin	9.4%	10.9%	10.8%	10.8%	10.9%	
Diluted Share Cap. (mn)	1,198.1	1,199.2	1,199.2	1,199.2	1,199.2	
<b>Diluted EPS (INR)</b>	<b>66.6</b>	<b>89.4</b>	<b>100.3</b>	<b>115.3</b>	<b>129.3</b>	
Diluted EPS Growth	56.9%	34.2%	12.2%	14.9%	12.2%	
Total Dividend + Tax	13,838	25,304	23,985	23,985	23,985	
Dividend Per Share (INR)	11.6	21.1	20.0	20.0	20.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	433,567	522,766	619,055	733,288	864,344	
Share Capital	5,991	5,996	5,996	5,996	5,996	
Reserves & Surplus	427,577	516,769	613,059	727,292	858,348	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	50,255	20,365	14,365	8,365	2,365	
Def. Tax Liab. / Assets (-)	19,465	19,184	20,746	22,088	23,594	
<b>Total - Equity &amp; Liab.</b>	<b>503,287</b>	<b>562,315</b>	<b>654,166</b>	<b>763,741</b>	<b>890,302</b>	
Net Fixed Assets	197,608	212,838	226,054	234,786	244,135	
Gross Fixed Assets	366,490	406,397	453,955	499,811	549,794	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	196,728	231,116	268,757	310,007	355,140	
Capital WIP	27,846	37,558	40,856	44,983	49,481	
Investments	270,871	299,954	324,954	349,954	374,954	
Current Assets	289,319	325,322	401,262	510,104	631,736	
Inventories	88,814	95,048	107,177	122,627	136,333	
Sundry Debtors	40,417	45,495	61,244	70,072	77,905	
Cash & Bank Balances	44,818	55,259	81,950	144,764	225,561	
Loans & Advances	115,271	129,520	150,890	172,641	191,938	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	254,511	275,799	298,104	331,103	360,523	
Current Liabilities	171,456	185,920	204,494	235,548	262,928	
Provisions & Others	83,055	89,880	93,610	95,555	97,595	
Net Current Assets	34,808	49,522	103,158	179,001	271,213	
<b>Total - Assets</b>	<b>503,287</b>	<b>562,315</b>	<b>654,166</b>	<b>763,741</b>	<b>890,302</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	95,603	134,830	156,200	178,923	200,699	
Depn. & Amort.	31,545	34,389	37,640	41,250	45,133	
Net Interest Exp. / Inc. (-)	2,728	1,388	2,100	2,000	2,000	
Inc (-) / Dec in WCcap.	-111	-4,272	-26,945	-13,029	-11,416	
Others	-14,295	0	0	0	0	
Taxes Paid	-15,821	-27,652	-35,926	-40,705	-45,659	
<b>Operating Cash Flow</b>	<b>99,648</b>	<b>138,682</b>	<b>133,070</b>	<b>168,440</b>	<b>190,757</b>	
Capex	-27,486	-49,619	-50,856	-49,983	-54,481	
Free Cash Flow	72,162	89,063	82,214	118,457	136,276	
Inc (-) / Dec in Investments	-28,826	-29,083	-25,000	-25,000	-25,000	
Others	-2,728	-1,388	-2,100	-2,000	-2,000	
<b>Investing Cash Flow</b>	<b>-59,040</b>	<b>-80,090</b>	<b>-77,956</b>	<b>-76,983</b>	<b>-81,481</b>	
Inc / Dec (-) in Capital	8	6	0	0	0	
Dividend + Tax thereon	-13,838	-25,304	-23,985	-23,985	-23,985	
Inc / Dec (-) in Loans	-17,175	-29,891	-6,000	-6,000	-6,000	
Others	-1,291	7,038	1,562	1,342	1,505	
<b>Financing Cash Flow</b>	<b>-32,297</b>	<b>-48,151</b>	<b>-28,423</b>	<b>-28,643</b>	<b>-28,480</b>	
<b>Inc / Dec (-) in Cash</b>	<b>8,312</b>	<b>10,442</b>	<b>26,691</b>	<b>62,814</b>	<b>80,796</b>	
Opening Cash Balance	36,505	44,818	55,259	81,950	144,764	
Closing Cash Balance	44,817	55,259	81,950	144,764	225,561	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		9.4%	10.9%	10.8%	10.8%	10.9%
Asset Turnover (x)		1.7	1.9	1.8	1.8	1.7
Leverage Factor (x)		1.2	1.1	1.1	1.0	1.0
RoE		19.6%	22.4%	21.1%	20.4%	19.4%

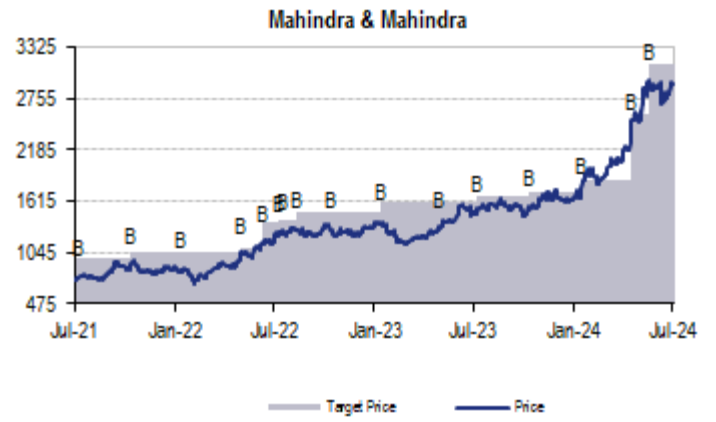
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		361.9	435.9	516.2	611.5	720.7
ROIC		35.9%	42.3%	45.3%	44.8%	45.3%
ROE		19.6%	22.4%	21.1%	20.4%	19.4%
Net Debt/Equity (x)		-0.2	-0.2	-0.3	-0.3	-0.4
P/E (x)		44.1	32.8	29.3	25.5	22.7
P/B (x)		8.1	6.7	5.7	4.8	4.1
EV/EBITDA (x)		32.6	26.1	20.9	18.3	16.2
EV/Sales (x)		4.0	3.4	3.0	2.6	2.2
Debtor days		17	17	20	20	20
Inventory days		38	35	35	35	35
Creditor days		84	79	78	78	78

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Aug-20	Buy	650	
10-Nov-20	Buy	740	13.8
7-Feb-21	Buy	950	28.4
30-May-21	Buy	980	3.2
7-Aug-21	Buy	980	0.0
9-Nov-21	Buy	1,060	8.2
11-Feb-22	Buy	1,060	0.0
30-May-22	Buy	1,100	3.8
10-Jul-22	Buy	1,375	25.0
7-Aug-22	Buy	1,400	1.8
15-Aug-22	Buy	1,400	0.0
12-Sep-22	Buy	1,500	7.2
13-Nov-22	Buy	1,500	0.0
12-Feb-23	Buy	1,600	6.7
28-May-23	Buy	1,600	0.0
6-Aug-23	Buy	1,675	4.7
12-Nov-23	Buy	1,725	3.0
14-Feb-24	Buy	1,850	7.2
16-May-24	Buy	2,575	39.2
17-Jun-24	Buy	3,125	21.4

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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