

# Mahindra & Mahindra Ltd.

## Thar Roxx launch - Aspirational yet affordable!

### View - Roxx should double up Thar portfolio volumes for M&M

We believe, Thar Roxx launch comes as more practical offering while carrying the lifestyle offroader appeal of Thar 3 door. The product do offer clear distinction, Roxx to cannibalize Thar 3 door to some extent while will get additional customers from mid SUV segment given price overlap with better features on offer. MM continues to enjoy a strong order backlog of ~178k units (vs. ~220k units in 4QFY24) of which Thar is ~42k units and launch of Thar Roxx should further build on the same. MM's recently unveiled XUV 3XO has seen a healthy response. MM will continue to have a healthy launch pipeline as it targets to launch 9 ICE SUVs (includes 6 new launches and 3 mid-cycle upgrades), 7 BEVs and 7 LCVs by 2030. Driven by a strong order backlog and new launches, we expect MM to continue outperforming industry growth even in FY25E. We are building in SUV volume CAGR of 18.6% over FY24-26E with overall revenue/EBITDA/Adj.PAT CAGR of 13.5%/21%/16.3%. We maintain ADD with TP at 3,347 as MM trades at implied core PE of 24.6x/21.1x FY25E/FY26E EPS.

### Key highlights (PR and PPT Link)

**Roxx built on new platform with capex of Rs10b** - The product is extended version of Thar 3 door and uses the same engine configuration, its build on all new GLYDE platform with capex of ~Rs10b.

**Key premium features on base variant make Roxx more aspirational** - MM's strategy of bring in premium features to mass/affordable segment accentuated further with entry level (MX1) product is equipped with host of premium features. Some of the notable one includes, 10.25-inch touchscreen (for better infotainment), LED lighting, a dual-tone exterior finish, 18-inch steel wheels (for premium touch) and six airbags, ESC and three-point seat belts for all passengers (for safety aspects).

**Diverse price range coverage to get volumes from rivals** - While co is yet to declare prices of certain trims, we believe pricing is diverse with, 1) entry MX1 variant is priced at Rs12.99 lakh (G MT RWD) and Rs13.99 lakh (D MT RWD), 2) for affordability yet premium, MX3 is priced at Rs14.99 lakh (G AT RWD) and Rs 15.99 lakh (D MT RWD), premium AC7L/AX5L models are priced at Rs18.99 lakh each, while the MX5/AX3L versions come in at Rs 16.99 lakh. We believe yet to be announced AX7L it would be in the range of Rs21-23 lakh.

Spec vs peer brands	Thar Roxx	Thar 3 door	Jimny (Zeta)
Engine	D22 mHawk	mHawk 130 CRDe	K15B
Engine (CC)	2,184	2,184	1,462
Transmission	6-Speed MT/AT (Aisin)	6-Speed MT/AT	5-Speed Manual
Drive	RWD	RWD	4WD
Max Torque	370 Nm @ 3000 rpm	300 Nm @ 2800 rpm	134.2 Nm @ 4000 rpm
Length (mm)	4,428	3,985	3,985
Wheel Size (inch)	18 and 19	18	15
Ground Clearance (mm)	226	226	210
Wheel Base (mm)	2,850	2,450	2,590
Boot space (liter)	644	600	211
Mileage (per ltr) (ARAI)	NA	14	17
Price ex-show (base)	Rs13.99L	Rs11.35L	Rs12.74L
Avg units/month (TTM)	-	5,753	1,246

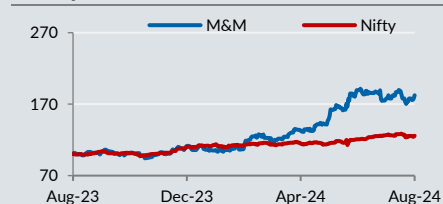
Source: Industry

Reco	: ADD
CMP	: Rs 2,824
Target Price	: Rs 3,347
Potential Return	: +18.5%

### Stock data (as on Aug 16, 2024)

Nifty	24,465
52 Week h/l (Rs)	3,014 / 1,450
Market cap (Rs/USD mn)	32,89,437 / 39,177
Outstanding Shares (mn)	1,198
6m Avg t/o (Rs mn):	6,816
Div yield (%):	0.7
Bloomberg code:	MM IN
NSE code:	M&M

### Stock performance



	1M	3M	1Y
Absolute return	2.3%	18.9%	79.6%

### Shareholding pattern (As of June'24)

Promoter	18.1%
FII+DII	66.6%
Others	9.4%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	3,347	3,404

### Δ in earnings estimates

	FY25E	FY26E
EPS (New)	103.7	120.9
EPS (Old)	103.3	120.3
% change	+0.4%	+0.5%

### Financial Summary

Y/E Mar (Rs b)	FY24	FY25E	FY26E
Net Income	988	1,133	1,278
EBITDA	129	162	190
Adj. PAT	107	124	145
Adj. EPS (INR)	89.4	103.7	120.9
EPS Gr. (%)	39.1	16.0	16.6
BV/Sh. (INR)	436	516	610
RoE (%)	22.4	21.8	21.5
RoCE (%)	20.5	20.6	20.5
Payout (%)	23.6	23.2	21.6
P/E (x)	31.5	27.2	23.3
P/BV (x)	6.5	5.5	4.6
EV/EBITDA (x)	25.2	20.1	16.9
Div. Yield (%)	0.7	0.9	0.9

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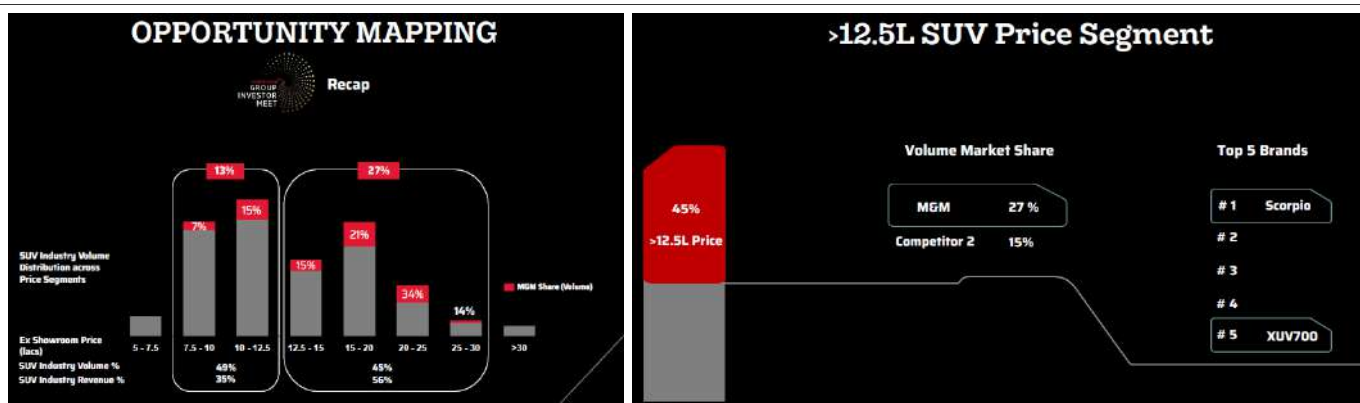
**Exhibit 1: Thar Roxx – Pricing appears to be competitive for base and mid variants**

Variant	G20	G20	D22	D22	D22	D22
	MT	AT	MT	AT	MT	AT
	RWD	RWD	RWD	RWD	4WD	4WD
MX1	₹ 12.99		₹ 13.99			
MX3		₹ 14.99	₹ 15.99	₹ 17.49		
AX3L			₹ 16.99			
MX5	₹ 16.49	₹ 17.99	₹ 16.99	₹ 18.49	#	
AX5L				₹ 18.99		#
AX7L		₹ 19.99	₹ 18.99	₹ 20.49	#	#

#: To be announced at a later date

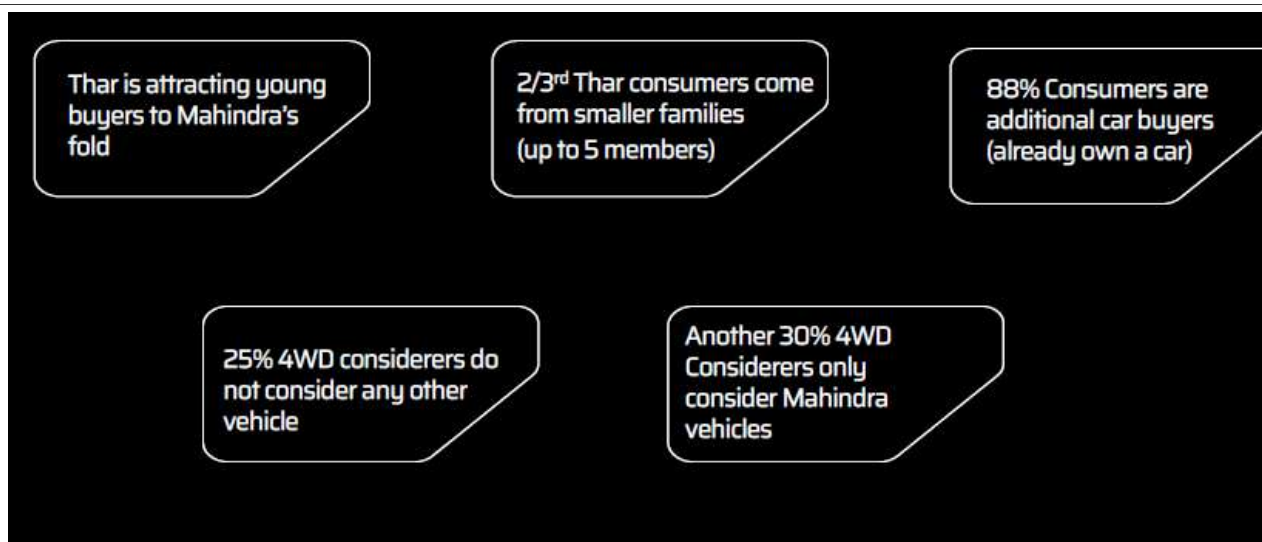
Source: Company, YES Sec

**Exhibit 2: M&M is further hosting up presence in >Rs12.5L SUV segment with Thar Roxx**



Source: Company, YES Sec

**Exhibit 3: Thar customer profile – key enablers indicate strong growth headroom available over mid-long term**



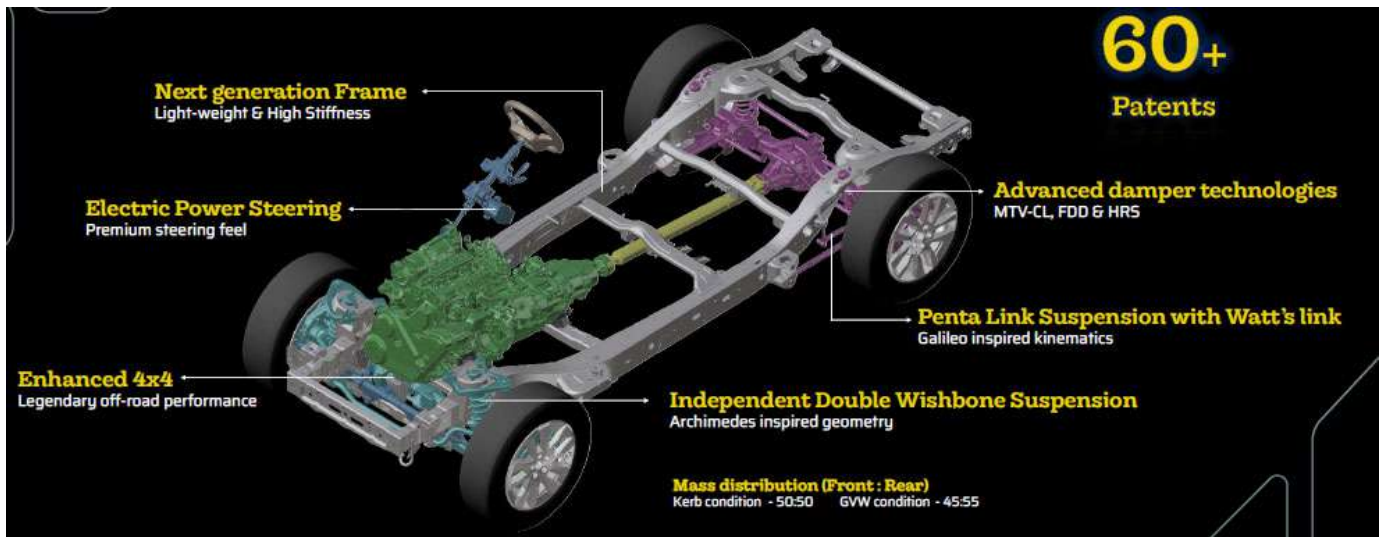
Source: Company, YES Sec

**Exhibit 4: Thar Roxx – Best in class dimensions across parameters vs competition**



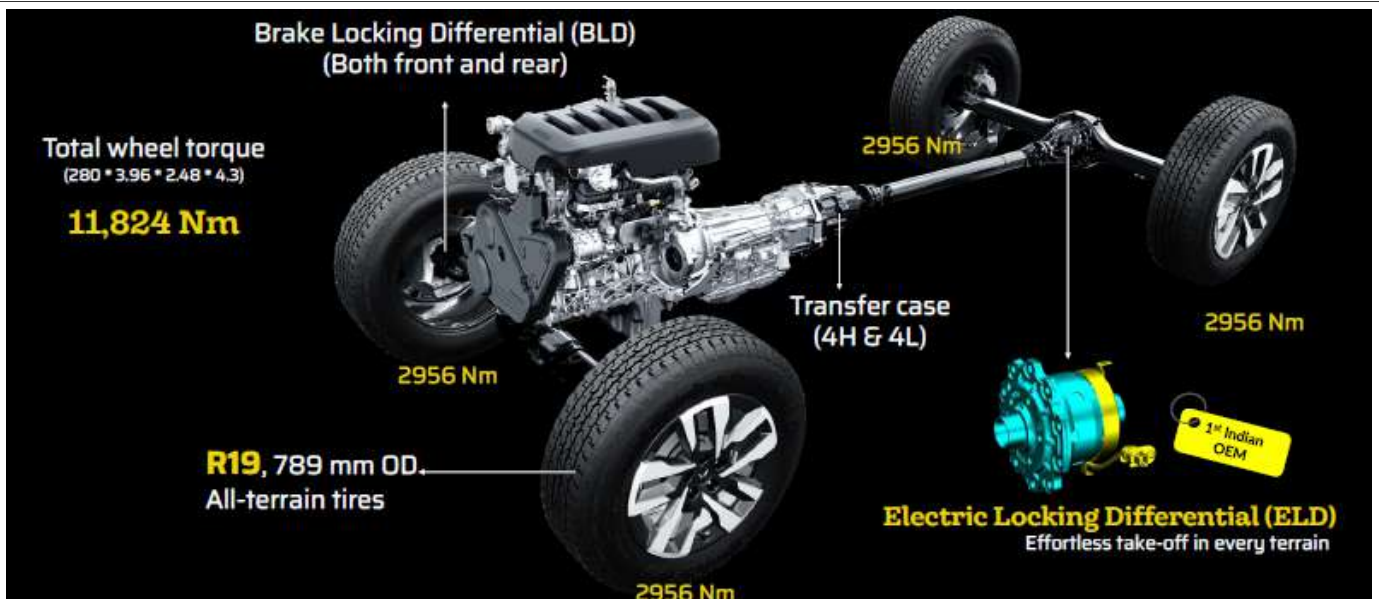
Source: Company, YES Sec

**Exhibit 5: Thar Roxx is built on all new Glyde platform promises improved ride, handling and NVH for SUVs**



Source: Company, YES Sec

**Exhibit 6: Glyde – M&M is the first Indian OEM to introduce ELD in top trims**



Source: Company, YES Sec

## Exhibit 7: Thar Roxx – more practical offerings while carrying the lifestyle off-roader appeal



Source: Company, YES Sec

## Exhibit 8: SOTP valuation summary

M&M: Sum-of-the-parts (Rs/share)	FY25E	FY26E
Core EPS (excl. subsidiary dividend)	101.8	119.0
PE attributable (x)	23	23
Value of core business	2,320	2,712
Valuation of ePV business (@ 50% holdco)	325	325
Value of subsidiaries @ Hold Co discount	30	30
1. Tech Mahindra	231	231
2. M&M Financial Services	34	34
3. Mahindra Lifespaces	4	4
4. Mahindra Holidays	24	24
5. Mahindra Logistics	17	17
<b>Target price</b>	<b>2,955</b>	<b>3,347</b>

Source: YES Sec

## FINANCIALS

### Exhibit 9: Balance Sheet

Y/E March	2021	2022	2023	2024	2025E	2026E
Share Capital	5,974	5,983	5,991	5,996	5,996	5,996
Reserves	343,536	383,627	427,577	516,770	612,224	725,924
<b>Net Worth</b>	<b>349,510</b>	<b>389,610</b>	<b>433,568</b>	<b>522,766</b>	<b>618,220</b>	<b>731,920</b>
Deferred tax	14,497	17,008	14,703	15,551	15,706	15,863
Loans	77,863	67,336	50,255	20,365	18,565	16,765
<b>Capital Employed</b>	<b>441,870</b>	<b>473,953</b>	<b>498,526</b>	<b>558,681</b>	<b>652,491</b>	<b>764,548</b>
<b>Application of Funds</b>						
Gross Fixed Assets	273,119	308,460	362,150	394,670	452,228	562,228
Less: Depreciation	153,006	162,974	192,388	219,390	257,500	303,150
<b>Net Fixed Assets</b>	<b>120,113</b>	<b>145,487</b>	<b>169,762</b>	<b>175,280</b>	<b>194,728</b>	<b>259,077</b>
Capital WIP	61,255	50,182	27,846	37,558	90,000	90,000
Investments	217,826	251,098	270,871	299,954	320,267	365,047
<b>Curr.Assets, L &amp; Adv.</b>	<b>216,451</b>	<b>224,537</b>	<b>289,319</b>	<b>325,322</b>	<b>356,206</b>	<b>388,577</b>
Inventory	47,830	58,829	88,814	95,048	108,600	122,570
Sundry Debtors	22,028	30,351	40,417	45,495	52,170	58,880
Cash & Bank Bal.	63,952	36,505	44,818	55,259	61,662	68,703
Loans & Advances	19,324	28,057	23,544	24,720	27,926	31,518
Others	63,317	70,795	91,727	104,799	105,847	106,906
<b>Current Liab. &amp; Prov.</b>	<b>173,775</b>	<b>197,350</b>	<b>259,273</b>	<b>279,433</b>	<b>308,711</b>	<b>338,154</b>
Sundry Creditors	106,427	128,935	171,456	185,920	213,199	240,623
Other Liabilities	52,271	54,752	69,677	74,800	74,052	73,311
Provisions	15,077	13,663	18,139	18,714	21,460	24,220
<b>Net Current Assets</b>	<b>42,676</b>	<b>27,187</b>	<b>30,047</b>	<b>45,888</b>	<b>47,495</b>	<b>50,423</b>
<b>Application of Funds</b>	<b>441,870</b>	<b>473,953</b>	<b>498,525</b>	<b>558,681</b>	<b>652,491</b>	<b>764,548</b>

Source: Company, YES Sec

## Exhibit 10: Income statement

Y/E March	2021	2022	2023	2024	2025E	2026E
<b>Net Op. Income</b>	446,299	577,869	849,603	987,634	1,132,548	1,278,226
Change (%)	(1.9)	29.5	47.0	16.2	14.7	12.9
Total Expenditure	376,724	507,595	745,179	858,440	970,968	1,087,979
% of sales	84.4	87.8	87.7	86.9	85.7	85.1
<b>EBITDA</b>	69,575	70,275	104,424	129,194	161,580	190,247
<b>Margins (%)</b>	15.6	12.2	12.3	13.1	14.3	14.9
Depreciation	23,699	24,984	31,545	34,389	38,110	45,651
<b>EBIT</b>	45,876	45,291	72,879	94,806	123,470	144,597
Deferred Revenue Exp.	-	-	-	-	-	-
Int. & Finance Charges	3,963	2,262	2,728	1,388	779	707
Other Income	11,995	20,538	25,452	41,412	34,722	39,654
Non-recurring Expense	-	-	-	-	-	-
Non-recurring Income	(30,873)	(2,087)	(14,295)	-	0	0
<b>Profit before Tax</b>	23,035	61,480	81,308	134,830	157,413	183,544
Tax	13,193	12,781	15,821	27,652	33,057	38,544
Eff. Tax Rate (%)	57.3	20.8	19.5	20.5	21.0	21.0
Profit after Tax	9,842	48,699	65,486	107,178	124,356	145,000
<b>Adj. Profit after Tax</b>	34,296	50,352	77,000	107,178	124,356	145,000
Change (%)	56.6	46.8	52.9	39.2	16.0	16.6
<b>Adj. PAT</b>	40,974	48,418	77,523	104,894	122,040	142,669

Source: Company, YES Sec

## Exhibit 11: Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025E	2026E
<b>OP/(Loss) before Tax</b>	53,907	64,441	95,603	134,830	123,470	144,597
Int./Dividends Received	(9,458)	(17,438)	(19,881)	(25,125)	34,722	39,654
Depreciation & Amort.	23,699	24,511	31,545	34,389	38,110	45,651
Direct Taxes Paid	(11,381)	(5,981)	(19,380)	(28,509)	(32,901)	(38,387)
(Inc)/Dec in Wkg. Capital	35,866	4,967	3,871	8,681	4,796	4,113
Other Items	4,928	3,220	(466)	(11,474)	-	-
CF from Oper. Activity	97,563	73,720	91,293	112,792	168,197	195,627
Extra-ordinary Items	(1,626)	(2,783)	-	-	-	-
<b>CF after EO Items</b>	95,936	70,937	91,293	112,792	168,197	195,627
(Inc)/Dec in FA+CWIP	(33,113)	(31,859)	(34,313)	(48,328)	(110,000)	(110,000)
<b>Free Cash Flow</b>	64,450	41,861	56,980	64,464	58,197	85,627
(Pur)/Sale of Invest.	(112,247)	(11,730)	(13,222)	(3,497)	(20,313)	(44,780)
<b>CF from Inv. Activity</b>	(145,359)	(43,589)	(47,535)	(51,825)	(130,313)	(154,780)
Change in Net Worth	-	-	83	-	(0)	(0)
Inc/(Dec) in Debt	42,115	(13,168)	(19,752)	(32,148)	(1,800)	(1,800)
Interest Paid	(4,038)	(4,793)	(3,810)	(3,016)	(2,712)	(2,640)
Dividends Paid	(2,936)	(10,891)	(14,359)	(20,211)	(28,902)	(31,300)
<b>CF from Fin. Activity</b>	35,142	(28,852)	(37,838)	(55,375)	(33,413)	(35,740)
Inc/(Dec) in Cash	(14,282)	(1,504)	5,921	5,591	4,470	5,108
Add: Beginning Balance	22,957	8,676	7,180	13,102	55,259	61,662
<b>Closing Balance</b>	8,675	7,172	13,101	18,694	59,729	66,770

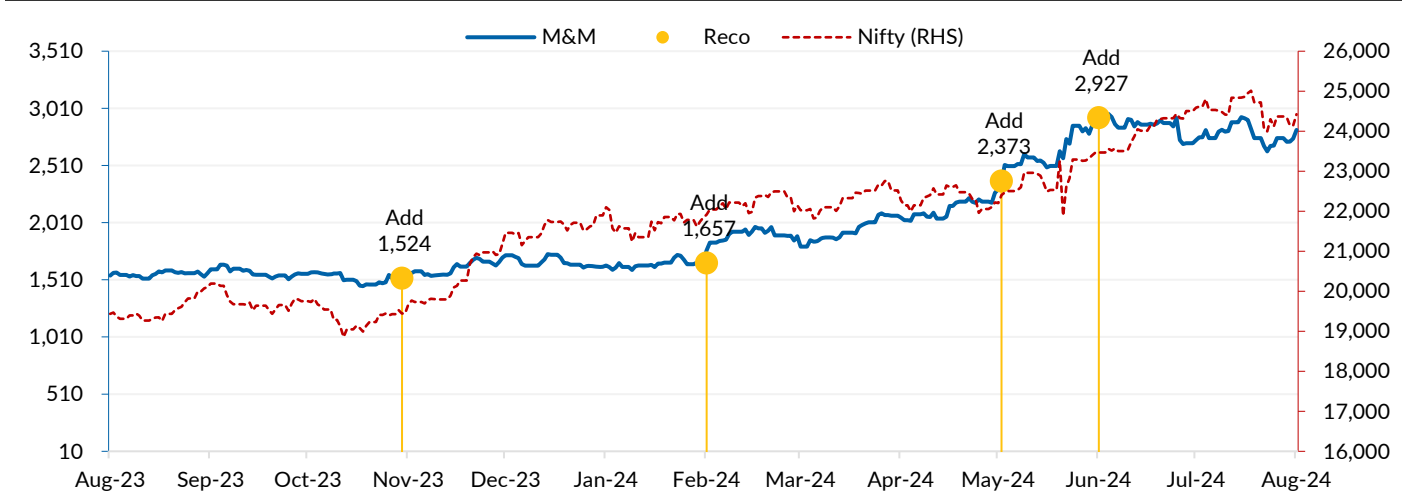
Source: Company, YES Sec

**Exhibit 12: Growth and Ratio matrix**

Y/E March	2021	2022	2023	2024	2025E	2026E
<b>Basic (INR)</b>						
Fully diluted EPS	28.7	42.1	64.3	89.4	103.7	120.9
FD EPS (incl MVML)	34.3	40.5	64.7	87.5	101.8	119.0
Cash EPS	48.5	63.0	90.6	118.0	135.5	159.0
Book Value per Share	292.5	325.6	361.9	435.9	515.5	610.3
DPS	8.8	11.6	16.3	21.1	24.1	26.1
Payout (Incl. Div. Tax) %	106.2	28.4	29.7	23.6	23.2	21.6
<b>Valuation (x)</b>						
P/E	82.2	69.6	43.6	32.2	27.7	23.7
Cash P/E	58.1	44.8	31.1	23.9	20.8	17.7
EV/EBITDA	47.9	47.3	31.5	25.2	20.1	16.9
EV/Sales	7.5	5.8	3.9	3.3	2.9	2.5
Price to Book Value	9.6	8.7	7.8	6.5	5.5	4.6
Dividend Yield (%)	0.3	0.4	0.6	0.7	0.9	0.9
<b>Profitability Ratios (%)</b>						
RoE	9.9	13.6	18.7	22.4	21.8	21.5
RoCE	6.0	11.4	16.3	20.5	20.6	20.5
ROIC	19.1	30.5	40.3	47.0	56.3	54.2
<b>Turnover Ratios</b>						
Debtors (Days)	18.0	19.2	17.4	16.8	16.8	16.8
Inventory (Days)	39.1	37.2	38.2	35.1	35.0	35.0
Creditors (Days)	87.0	81.4	73.7	68.7	68.7	68.7
Working Capital (Days)	34.9	17.2	12.9	17.0	15.3	14.4
Asset Turnover (x)	1.0	1.2	1.7	1.8	1.7	1.7
<b>Growth (%)</b>						
Sales	(1.9)	29.5	47.0	16.2	14.7	12.9
Operating Profit	15.6	12.2	12.3	13.1	14.3	14.9
Net Profit	56.6	46.8	52.9	39.2	16.0	16.6
EPS	56.3	46.6	52.7	39.1	16.0	16.6
<b>Leverage Ratio</b>						
Debt/Equity (x)	0.2	0.2	0.1	0.0	0.0	0.0

Source: Company, YES Sec

## Recommendation Tracker



Source: YES Sec

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