

Mahindra & Mahindra | BUY



Key takeaways from Investor Day 2024

Mahindra & Mahindra (M&M) recently hosted its investor meet highlighting its growth prospect and future business strategy. In the SUV business, the company plans to launch 16 new models by FY30 across ICE and EV powertrains. Investments in the Auto business are expected to be INR 270bn between FY25-27, largely towards developing new products and capacity expansion. In the Farm Equipment business, industry is expected to grow by single-digit during FY25 on the expectation of above-normal monsoon. M&M is focused on driving strong double-digit growth in Farm Machinery segment through product and network expansion. Considering the strong demand tailwind in autos (led by recent launches), expected recovery in farm segment, preparedness for EV transition and consistent execution on improving ROEs/FCFs, we have upgraded our target multiple to 24x (20x earlier) for the core business. We maintain BUY with SoTP based Mar'25 TP of INR 3,125.

- Plans multiple new launches in SUV business to maintain leadership position:** In the SUV segment, M&M plans to launch 9 ICE SUVs (incl. 3 refreshes) and 7 BEV models by FY30. It plans to introduce its first Born Electric vehicle during 1QCY25 and is targeting for 30% EV penetration by FY27. Focus will be on creating strong value proposition for customers through differentiated product offerings. M&M's current SUV mkt. share stands at 20.4% in revenue terms (leadership position) and 18.2% in volume terms. **With these launches, M&M is aspires to maintain its leadership position (in revenue terms) in domestic SUV segment.** The company indicated that despite ramp-up in production, its order book continues to remain healthy led by positive customer response to recently launched 3XO (owing to its features and competitive pricing). FY24 exit SUV capacity stands at 49k units/month and the company plans to ramp this up to 64k / 72k units / month by FY25 / FY26 (5k units/month towards ICE and 18k units/month towards EVs). **In the international business, M&M plans to enter UK and Europe over the next 6-9 months with the focus on exporting BEVs.** Management also highlighted that it has brought down the fixed costs by 660bps over the last 4yrs through astute cost controls. **Going ahead, it expects Auto EBIT margins to gradually improve through operating leverage, pricing / varianting strategy and cost control initiatives.** Capex and investment for the Auto segment is expected to be INR 270bn between FY25-FY27.
- Capitalize leadership position in FES to scale-up Farm Machinery business:** Higher farm power (at 4HP/hectare from 2.9HP/hectare currently) to achieve 2030 foodgrain demand and consistent increase in cropping intensity is expected to **necessitate tractor population of 17mn units by 2030 (from 8mn units current), implying significant headroom for growth in the domestic tractor market.** Further, India's farm mechanisation level is currently at 47% vs. 60-95% for countries like China, Brazil, Russia, and USA, indicating **significant growth potential.** Market size for rotovators (M&M has 21% mkt. share) and rice transplanters (M&M has 40% mkt. share) is currently 3k units p.a. in India vs. 100k units p.a. in China. To capitalize on this opportunity, M&M is scaling-up its presence in Farm Machinery segment by 1) creating strong product portfolio across categories, 2) leveraging M&M existing tractor channel and 3) creating independent dealer network. **Overall, M&M is aiming for 40% CAGR growth in the medium-term and expect significant improvement in profitability over next 18-24 months.** In the international,

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,125
Upside/(Downside)	6.7%
Previous Price Target	2,575
Change	21.4%

Key Data – MM IN

Current Market Price	INR2,929
Market cap (bn)	INR3,641.8/US\$43.6
Free Float	68%
Shares in issue (mn)	1,189.9
Diluted share (mn)	1,199.2
3-mon avg daily val (mn)	INR8,058.4/US\$96.4
52-week range	2,946/1,369
Sensex/Nifty	76,993/23,466
INR/US\$	83.6

Price Performance

%	1M	6M	12M
Absolute	16.5	69.8	108.6
Relative*	11.8	57.6	71.7

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	5,77,869	8,49,603	9,87,634	11,51,480	13,18,231
Sales Growth (%)	28.3	47.0	16.2	16.6	14.5
EBITDA	70,275	1,04,424	1,29,194	1,57,066	1,82,346
EBITDA Margin (%)	12.2	12.3	13.1	13.6	13.8
Adjusted Net Profit	50,786	79,782	1,07,178	1,30,079	1,51,245
Diluted EPS (INR)	42.4	66.6	89.4	108.5	126.1
Diluted EPS Growth (%)	29.0	56.9	34.2	21.4	16.3
ROIC (%)	25.5	35.9	42.3	45.2	46.5
ROE (%)	14.0	19.6	22.4	22.6	21.8
P/E (x)	69.0	44.0	32.8	27.0	23.2
P/B (x)	9.2	8.1	6.7	5.6	4.6
EV/EBITDA (x)	48.9	32.5	26.1	21.2	17.8
Dividend Yield (%)	0.4	0.4	0.7	0.7	0.7

Source: Company data, JM Financial. Note: Valuations as of 14/Jun/2024

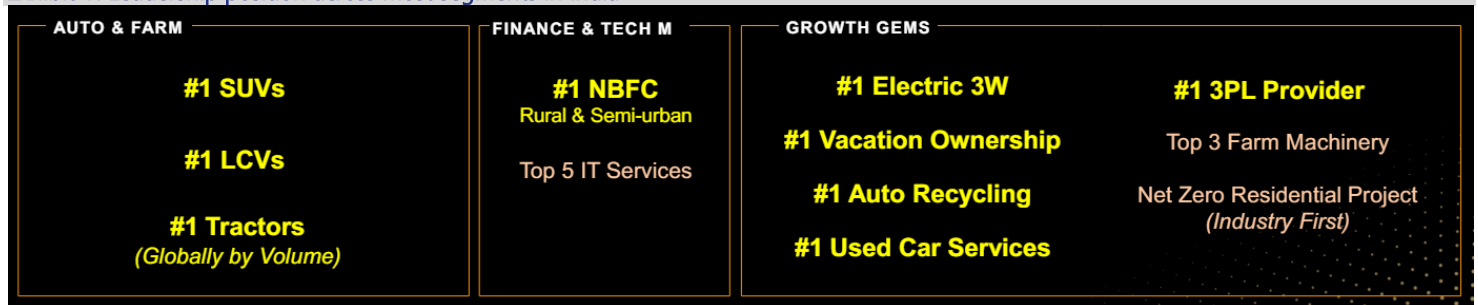
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business, M&M plans to enter Western Europe and ASEAN with total market potential of 180k units p.a. Management indicated that launch of 'OJA' platform has strengthened its product portfolio and the company plans to leverage its leadership position in India to scale-up in the international markets.

- Other businesses:**
 - 1) LCV segment:** M&M plans to introduce 7 new LCVs by 2030 with the focus on addressing gaps in product portfolio and maintain leadership position (49% mkt. share currently in <3.5T LCVs.
 - 2) Trucks and Bus segment:** M&M has already achieved cash break-even and is now aiming to expand its market share to 7-8% (from 3.3% currently) through product portfolio and network expansion.
 - 3) Last-mile Mobility:** Electric 3W/Cargo/SCV penetration currently stands at 11%/14%/2% (for industry) and expected to increase to 50%/55%/20% by FY30. M&M indicated that entry of leading OEMs in E3W space has doubled the pace of electrification. And, the company plans to maintain its competitiveness and leadership position through product actions, competitive pricing strategy, expanding dealer network and enabling finance penetration. Further, the management indicated that its Last-mile Mobility division has turned profitable in FY24.
 - 4) Hybrid technology:** M&M indicated that it remains committed to EVs. While Hybrids may do well in the near-to-medium term, industry is expected to ultimately transition to EVs. If needed, M&M will be ready with Hybrids. The company indicated that it would need ~15-25% EV penetration in FY27 to meet CAFÉ 3 norms.
- Capital allocation:** Management reiterated its strategy on tighter capital allocation policy and remains committed to sustaining at least 18% ROE and 15-20% EPS growth. Management indicated that its 'Growth Gems' – Susten, E3Ws, Hospitality, Real Estate, Logistics, Classic Legends etc. are on track to create significant value over medium-to-long term.

Exhibit 1. Leadership position across most segments in India



Source: Company, JM Financial

Exhibit 2. Strategy going ahead



Source: Company, JM Financial

Exhibit 3. Growth drivers

Capitalize on Market Leadership		Unlock Full Potential	GROWTH GEMS	5x Challenge
AUTO	ICE Momentum Best in Class EV Strength in CV International	FINANCE Asset Quality Diversification Digital Transformation	GROWTH GEMS	Brand and Trust Underlying Market Expansion Focused Growth Strategy M&A and Partnerships
FARM	India <i>Fortress</i> Farm Machinery International	TECH M Large Account Growth Margin Expansion New Age Offerings		

Source: Company, JM Financial

Exhibit 4. Medium-term strategy / aspiration for Auto business

Leadership in SUVs & LCVs
Market momentum with 23 launches by 2030
INR 27k crore capex and investment in F25 – F27
Margins through operating leverage, cost control, pricing / varianting

Source: Company, JM Financial

Exhibit 5. Strategic priorities for Farm Equipment business

DOMESTIC TRACTORS	FARM MACHINERY	INTERNATIONAL	PIONEERING TECHNOLOGY	MARGINS
Industry growth opportunity	India is tractorised not mechanized	OJA to enable scale up	Disruptive, fit-for-purpose	Industry leading

Source: Company, JM Financial

Exhibit 6. M&M (standalone) - change in assumptions

M&M	New assumption		Old assumption		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue (INR mn)	1,151,480	1,318,231	1,139,043	1,253,437	1%	5%
Auto Volume (mn units)	931,464	1,034,086	926,230	997,637	1%	4%
Growth (%)	13%	11%	12%	8%		
Tractor Volume (mn units)	404,159	425,164	398,691	419,423	1%	1%
Growth (%)	7%	5%	5%	5%		
EBITDA (INR mn)	157,066	182,346	155,254	173,374	1.2%	5.2%
EBITDA margin (%)	13.6%	13.8%	13.6%	13.8%	-	-
PAT (INR mn)	130,079	151,245	127,992	143,435	1.6%	5.4%
EPS (INR)	108	126	107	120	1.6%	5.4%

Source: Company, JM Financial

Exhibit 7. SOTP valuation

	Methodology	Value per share (INR)
Core business	24x Core EPS	2,460
PV EV Co.	Refer link	170
<u>Listed subsidiaries:</u>		
Tech Mahindra	20% discount to TP/CMP	240
Mahindra Finance	20% discount to TP/CMP	148
Mahindra Life	20% discount to TP/CMP	35
Mahindra Holiday	20% discount to TP/CMP	35
Mahindra Logistics	20% discount to TP/CMP	10
Swaraj Engines	20% discount to TP/CMP	10
EPC	20% discount to TP/CMP	2
CIE Automotive SA	20% discount to TP/CMP	15
Total subsidiary value		495
Total Value - SOTP		3,125

Source: JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	5,77,869	8,49,603	9,87,634	11,51,480	13,18,231	
Sales Growth	28.3%	47.0%	16.2%	16.6%	14.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	5,77,869	8,49,603	9,87,634	11,51,480	13,18,231	
Cost of Goods Sold/Op. Exp	4,25,604	6,45,582	7,40,064	8,59,004	9,82,082	
Personnel Cost	33,296	36,499	44,164	49,049	54,935	
Other Expenses	48,695	63,098	74,212	86,361	98,867	
EBITDA	70,275	1,04,424	1,29,194	1,57,066	1,82,346	
EBITDA Margin	12.2%	12.3%	13.1%	13.6%	13.8%	
EBITDA Growth	8.0%	48.6%	23.7%	21.6%	16.1%	
Depn. & Amort.	24,984	31,545	34,389	37,855	41,489	
EBIT	45,291	72,879	94,806	1,19,210	1,40,858	
Other Income	20,538	25,452	41,412	46,447	51,091	
Finance Cost	2,262	2,728	1,388	1,000	500	
PBT before Excep. & Forex	63,567	95,603	1,34,830	1,64,657	1,91,449	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	63,567	95,603	1,34,830	1,64,657	1,91,449	
Taxes	12,781	15,821	27,652	34,578	40,204	
Extraordinary Inc./Loss(-)	-2,087	-14,295	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	48,699	65,486	1,07,178	1,30,079	1,51,245	
Adjusted Net Profit	50,786	79,782	1,07,178	1,30,079	1,51,245	
Net Margin	8.8%	9.4%	10.9%	11.3%	11.5%	
Diluted Share Cap. (mn)	1,196.6	1,198.1	1,199.2	1,199.2	1,199.2	
Diluted EPS (INR)	42.4	66.6	89.4	108.5	126.1	
Diluted EPS Growth	29.0%	56.9%	34.2%	21.4%	16.3%	
Total Dividend + Tax	13,821	13,838	25,304	23,985	23,985	
Dividend Per Share (INR)	11.6	11.6	21.1	20.0	20.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	63,567	95,603	1,34,830	1,64,657	1,91,449	
Depn. & Amort.	24,984	31,545	34,389	37,855	41,489	
Net Interest Exp. / Inc. (-)	2,262	2,728	1,388	1,000	500	
Inc (-) / Dec in WCap.	-10,015	-111	-4,272	-29,278	-15,345	
Others	-2,087	-14,295	0	0	0	
Taxes Paid	-12,781	-15,821	-27,652	-34,578	-40,204	
Operating Cash Flow	65,930	99,648	1,38,682	1,39,656	1,77,888	
Capex	-76,536	-27,486	-49,619	-50,856	-49,983	
Free Cash Flow	-10,606	72,162	89,063	88,800	1,27,905	
Inc (-) / Dec in Investments	-1,393	-28,826	-29,083	-25,000	-25,000	
Others	-2,262	-2,728	-1,388	-1,000	-500	
Investing Cash Flow	-80,191	-59,040	-80,090	-76,856	-75,483	
Inc / Dec (-) in Capital	9	8	6	0	0	
Dividend + Tax thereon	-13,821	-13,838	-25,304	-23,985	-23,985	
Inc / Dec (-) in Loans	-3,517	-17,175	-29,891	-6,000	-6,000	
Others	5,541	-1,291	7,038	1,647	1,914	
Financing Cash Flow	-11,788	-32,297	-48,151	-28,338	-28,070	
Inc / Dec (-) in Cash	-26,049	8,312	10,442	34,462	74,335	
Opening Cash Balance	62,554	36,505	44,818	55,259	89,721	
Closing Cash Balance	36,505	44,817	55,259	89,721	1,64,056	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	3,81,981	4,33,567	5,22,766	6,28,860	7,56,120	
Share Capital	5,983	5,991	5,996	5,996	5,996	
Reserves & Surplus	3,75,998	4,27,577	5,16,769	6,22,864	7,50,123	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	67,431	50,255	20,365	14,365	8,365	
Def. Tax Liab. / Assets (-)	20,687	19,465	19,184	20,831	22,745	
Total - Equity & Liab.	4,70,098	5,03,287	5,62,315	6,64,055	7,87,230	
Net Fixed Assets	2,01,667	1,97,608	2,12,838	2,25,839	2,34,333	
Gross Fixed Assets	3,14,223	3,66,490	4,06,397	4,53,955	4,99,811	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	1,65,183	1,96,728	2,31,116	2,68,972	3,10,461	
Capital WIP	52,627	27,846	37,558	40,856	44,983	
Investments	2,42,045	2,70,871	2,99,954	3,24,954	3,49,954	
Current Assets	2,22,353	2,89,319	3,25,322	4,18,682	5,40,655	
Inventories	59,704	88,814	95,048	1,10,416	1,26,406	
Sundry Debtors	30,386	40,417	45,495	63,095	72,232	
Cash & Bank Balances	36,505	44,818	55,259	89,721	1,64,056	
Loans & Advances	95,758	1,15,271	1,29,520	1,55,450	1,77,961	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	1,95,968	2,54,511	2,75,799	3,05,419	3,37,712	
Current Liabilities	1,29,701	1,71,456	1,85,920	2,11,809	2,42,157	
Provisions & Others	66,266	83,055	89,880	93,610	95,555	
Net Current Assets	26,385	34,808	49,522	1,13,262	2,02,943	
Total - Assets	4,70,097	5,03,287	5,62,315	6,64,055	7,87,230	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	8.8%	9.4%	10.9%	11.3%	11.5%	
Asset Turnover (x)	1.3	1.7	1.9	1.9	1.8	
Leverage Factor (x)	1.2	1.2	1.1	1.1	1.0	
RoE	14.0%	19.6%	22.4%	22.6%	21.8%	

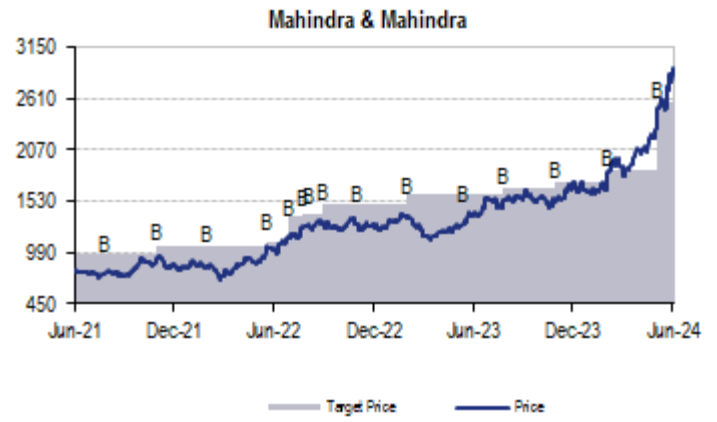
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	319.2	361.9	435.9	524.4	630.5	
ROIC	25.5%	35.9%	42.3%	45.2%	46.5%	
ROE	14.0%	19.6%	22.4%	22.6%	21.8%	
Net Debt/Equity (x)	-0.1	-0.2	-0.2	-0.3	-0.3	
P/E (x)	69.0	44.0	32.8	27.0	23.2	
P/B (x)	9.2	8.1	6.7	5.6	4.6	
EV/EBITDA (x)	48.9	32.5	26.1	21.2	17.8	
EV/Sales (x)	5.9	4.0	3.4	2.9	2.5	
Debtor days	19	17	17	20	20	
Inventory days	38	38	35	35	35	
Creditor days	93	84	79	78	78	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Jun-20	Buy	550	
9-Aug-20	Buy	650	18.2
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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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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.
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