

Consistent Automotive business driving overall growth!

Q3FY24 Result Update | Sector: Auto | February 15, 2024

BUY

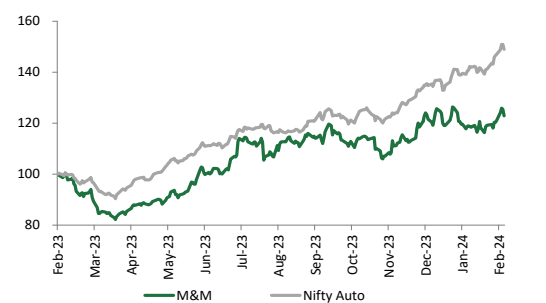
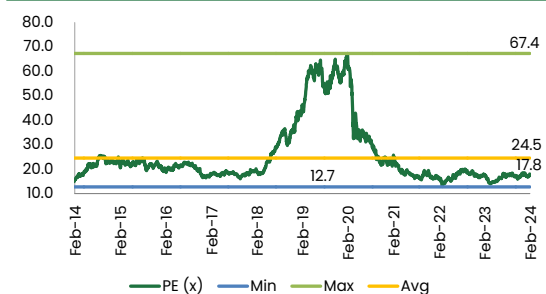
CMP (Rs)	1,657
Target Price (Rs)	1,998
Potential Upside	20.6%
Sensex	71,823
Nifty	21,840

Key Stock data

BSE Code	500520
NSE Code	M&M
Bloomberg	MM:IN
Shares o/s, Cr (FV 5)	119.8
Market Cap (Rs Cr)	196,992
3M Avg Volume	2,456,279
52 week H/L	1,758/1,123

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	19.4	19.3	19.3
FII	40.1	40.3	40.9
DII	27.0	26.9	26.3
Others	13.5	13.5	13.5

1 year relative price performance

1 year P/E Forward (x)

Research Analyst
Akshay Tiwari

akshay.tiwari@religare.com

Good overall performance: M&M standalone revenue from operations grew by 16.8% YoY/4% QoQ, mainly driven by strong Automotive sales as well as premium mix of products in the Farm Equipment (FE) segment. Amongst segments, Automotive revenue grew by 25.5% YoY/0.9% QoQ to Rs 18,577 Cr, consequently, Farm Equipment (FE) revenue grew by 7.3% YoY/13.8% QoQ to Rs 6,735 Cr. The strong operational performance led PAT to grow by 60.6% YoY to Rs 2,454 Cr.

Sequential improvement in margin: Its gross profit was reported at Rs 6,223 Cr, up by 19.5% YoY/4.9% QoQ with a margin of 24.6% which improved by 56bps YoY/21bps QoQ. The softer commodity prices and rich mix of products drove the gross profit and margin higher. Consequently, EBITDA grew by 15% YoY/10.3% QoQ to Rs 3,236 Cr while margin was in a mixed trend as it expanded by 73bps QoQ while it contracted slightly by 20bps YoY to 12.8%.

Consistent Automotive business: Auto division volume continued to be strong as it grew by 20.2% YoY and remained flat sequentially to 211,443 units. Strong Utility Vehicle (UV) and 3-Wheeler sales drove the realization higher by 4.5% YoY/1.2% QoQ to Rs 878,567/unit. Subsequently, the strong demand in the UV category led the company to improve its revenue market share by 40bps YoY/20bps QoQ to 21%. Its EBIT was reported at Rs 1,553 Cr down by 7.8% QoQ while margin contracted by 70bps QoQ to 8.3%.

Mixed FE performance amid lower sales: Its Tractor volume declined by 3.9% YoY to 101,672 units, impacted by the high base of last year as well as mixed monsoon season. Consequently, EBIT declined by 4.7% over last year to Rs 1,042 Cr with a margin of 15.5% while core Tractor margin remained steady at 16.9%. Despite decline in volume, realization improved by 11.6% YoY to 662,380/unit and improved its market share by 80bps YoY/20bps QoQ.

Outlook & Valuation: M&M continues to post healthy volume across its Auto Division mainly led by the UV and 3-wheeler category which has led to consistent growth in its revenue and realizations. Going ahead, the management expects its UV portfolio to outpace the industry growth which shall result in revenue and margin expansion as well as maintain its leadership position in the revenue market share. Additionally, market share growth, new products and improvement in segmental profitability in FE business shall prove to be positive for the company. Further, the monetization of its EV business could turnout to be the next leg of growth for the company. Factoring this, we estimate its revenue/EBITDA/PAT to grow at a CAGR of 15.1%/18.5%/26.9% over FY23-FY26E. We maintain our **Buy** rating with a revised target price of **Rs 1,998** (15x of

Financial Summary - standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	84,960	97,136	113,366	129,397
EBITDA	10,379	12,382	15,033	17,268
EBITDAM (%)	12.2	12.7	13.3	13.3
Reported PAT	6,549	10,628	11,960	13,375
PATM (%)	7.7	10.9	10.5	10.3
EPS (Rs)	66.6	88.7	99.8	111.6
PE (x)	24.7	18.5	16.5	14.7
RoE (%)	19.6	22.3	21.1	20.1

Source : RBL Research

Concall & other key highlights: 1) Its order book in the UV category was ~226,000 units with ~91.6% accounting for like Thar, XUV700 and Scorpio-N. 2) The company expects its UV volume grow in mid-high teens for FY25. 3) Its LCV (<3.5T) market share is up by 310bps to 49.6% and Electric 3-wheeler market share stood at 54%. 4) Farm Machinery revenue was up by 28.5% YoY to Rs 221 Cr. 5) The management has stopped accepting XUV300 booking, the mid-cycle XUV300 refresher in is expected to be launched in Q1FY25. 6) The management aims to launch 5 Door Thar by mid CY24.

Robust Automotive business driving revenue growth

Sequential improvement in margin driven by premium mix of products

Healthy operational performance aided profit to expand by 13.8% YoY

P&L Account Quarterly - standalone

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Volumes	313,115	281,747	11.1	302,139	3.6
Realisation (Rs.)	807,643	768,553	5.1	804,593	0.4
Net sales	25,289	21,654	16.8	24,310	4.0
Total material cost	19,066	16,447	15.9	18,379	3.7
Gross Profit	6,223	5,207	19.5	5,931	4.9
Gross Margin (%)	24.6	24.0	56 bps	24.4	21 bps
Employee cost	1,134	934	21.4	1,126	0.7
Other overheads	1,852	1,458	27.0	1,870	(1.0)
EBITDA	3,236	2,814	15.0	2,934	10.3
EBITDA Margin (%)	12.8	13.0	-20 bps	12.1	73 bps
Depreciation	818	829	(1.4)	816	0.3
Interest	35	69	(49.2)	33	5.7
Other income	737	670	10.0	2,282	(67.7)
Extra ordinary items	-	(629)	-	-	-
PBT	3,121	1,958	59.4	4,367	(28.5)
Tax	667	430	55.2	915	(27.1)
Effective tax rate (%)	21.4	21.9	-58 bps	21.0	41 bps
Reported PAT	2,454	1,528	60.6	3,452	(28.9)
PAT margin (%)	9.7	7.1	265 bps	14.2	-450 bps
Adjusted PAT	2,454	2,157	13.8	3,452	(28.9)

Source : RBL Research

Cost analysis

As a % of net sales	Q3FY24	Q3FY23	Y-o-Y (bps)	Q2FY24	Q-o-Q (bps)
Material costs	75.4	76.0	-56 bps	75.6	-21 bps
Personnel Costs	4.5	4.3	17 bps	4.6	-15 bps
Other overheads	7.3	6.7	59 bps	7.7	-37 bps
Total costs	87.2	87.0	20 bps	87.9	-73 bps

Source : RBL Research

Strong Automotive business driven revenue higher while FES revenue was up by 7.3% despite decline in volume

Strong Auto Division momentum while Tractors decline on the account of higher base

Segmental Revenue

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Automotive	18,577	14,797	25.5	18,405	0.9
Farm Equipment	6,735	6,278	7.3	5,920	13.8
Auto Investments	5	-	-	108	(95.4)
Farm Investments	-	-	-	80	-
Other Investments	349	-	-	1,275	(72.6)
Total	25,665	21,074	21.8	25,788	(0.5)
Less: Inter-segment revenue	23	100	(77.4)	15	50.8
Total Revenue	25,642	20,974	22.3	25,773	(0.5)

Source : RBL Research

Volumes Analysis

Particulars (in Units)	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Utility Vehicles	118,863	91,023	30.6	114,742	3.6
Commercial Vehicles	65,814	60,651	8.5	68,508	(3.9)
3-Wheelers	21,277	15,331	38.8	21,446	(0.8)
Exports (excluding tractor)	5,489	8,977	(38.9)	7,382	(25.6)
Auto Division	211,443	175,982	20.2	212,078	(0.3)
Domestic Tractor	98,433	101,359	(2.9)	86,849	13.3
Exports Tractor	3,239	4,406	(26.5)	3,212	0.8
Tractors Division	101,672	105,765	(3.9)	90,061	12.9
Total Volumes	313,115	281,747	11.1	302,139	3.6

Source : RBL Research

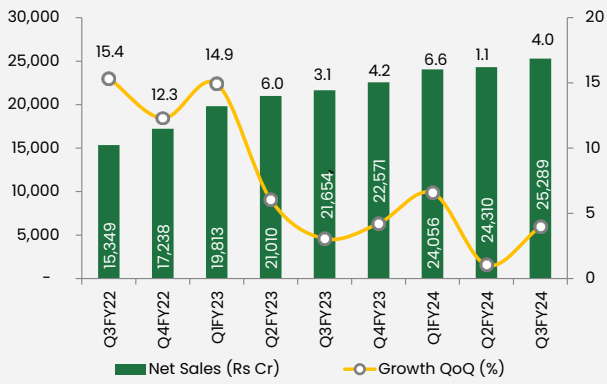
SOTP Valuation

Particulars	Basis	Rs
Core Business	FY26 EPS	1,675
Subsidiaries	Basis	40% Discount
Tech Mahindra	Market Cap	167
M&M Financial Services	Market Cap	91
Mahindra Life Spaces	Market Cap	24
Mahindra Holidays	Market Cap	28
Mahindra Logistics	Market Cap	8
Swaraj Engines	Market Cap	5
Total Subsidiary Value		323
Total SOTP		1,998

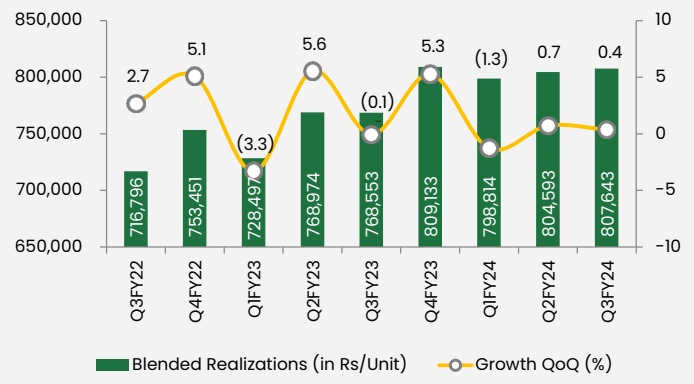
Source : RBL Research

Story in charts

Net sales up by 16.8% YoY driven by Auto Division

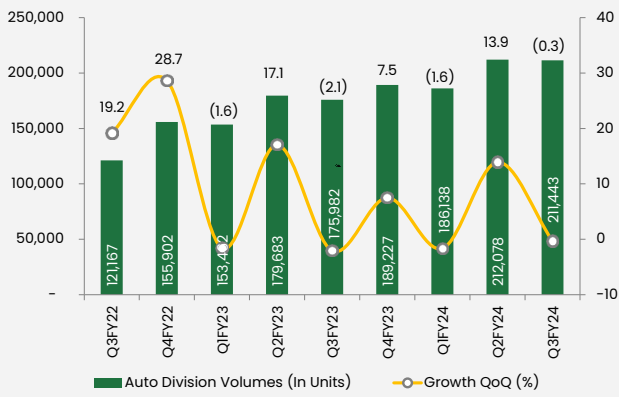


Robust Auto sales & premium mix of tractors aided realization expansion

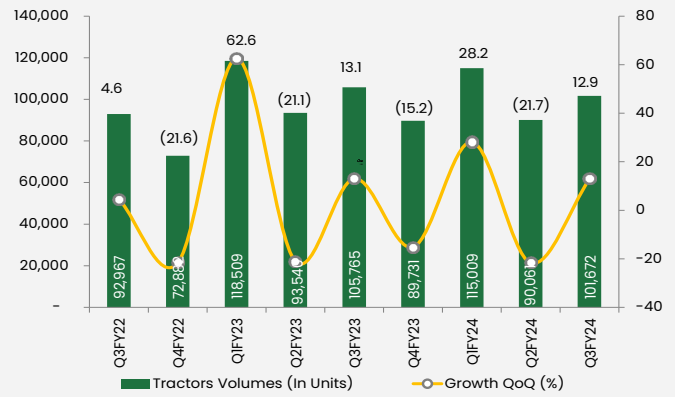


Source : RBL Research

Volume sequentially flat due to low dispatches during December 2023

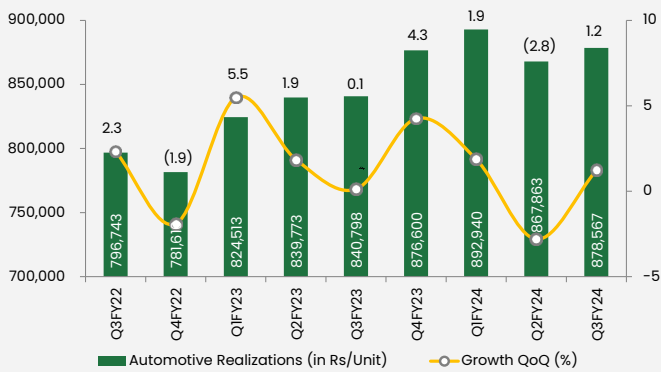


High base and mixed monsoon impacted tractor sales

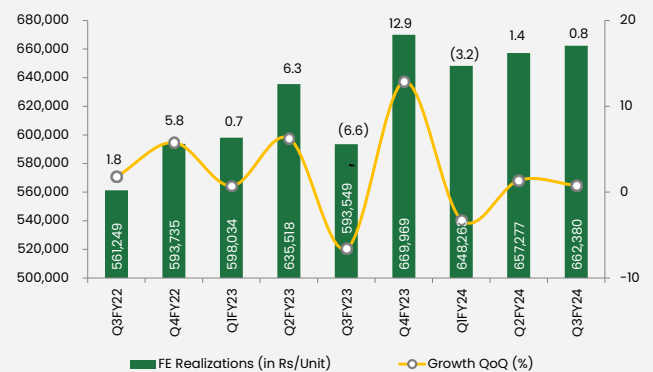


Source : RBL Research

Healthy volume across Auto Division aided realization growth

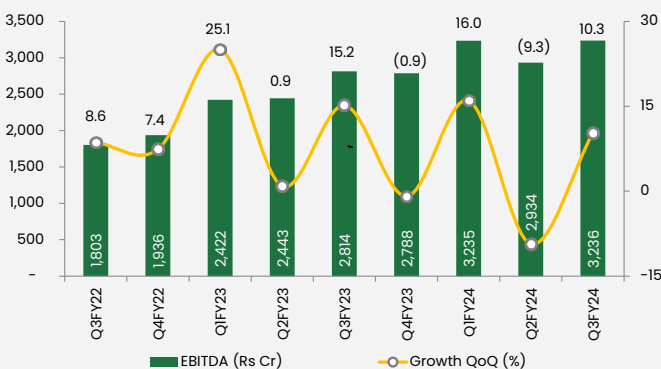


Premium mix of tractors drive realization growth amid volume de-growth

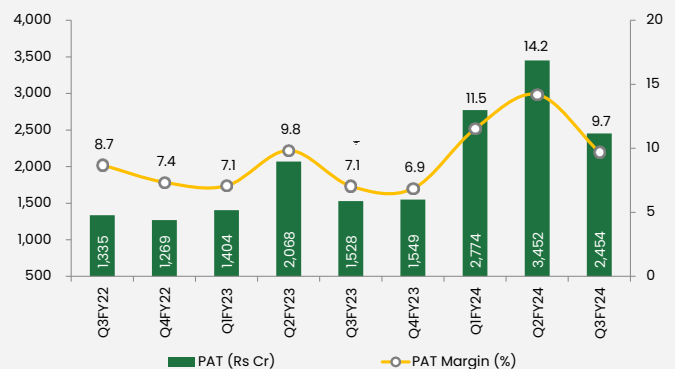


Source : RBL Research

Strong Automotive business aided EBITDA to expand by 15% YoY/10.3% QoQ



Healthy operational performance led PAT to grow by 60.6% YoY



Source : RBL Research

P&L Account – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	84,960	97,136	113,366	129,397
Expenditure				
Total raw material cost	64,558	73,338	85,291	97,598
Employee cost	3,650	4,325	4,934	5,370
Other expenses	6,373	7,091	8,108	9,161
Total expenditure	74,581	84,754	98,334	112,130
EBITDA	10,379	12,382	15,033	17,268
EBITDAM (%)	12.2	12.7	13.3	13.3
Other income	2,608	4,955	4,212	4,001
Depreciation	3,154	3,218	3,378	3,547
PBIT	9,833	14,120	15,866	17,722
Interest expenses	273	136	130	123
PBT	9,560	13,984	15,737	17,599
Tax	1,582	3,356	3,777	4,224
Adjusted profit	7,978	10,628	11,960	13,375
Exceptional items	(1,430)	-	-	-
Reported PAT	6,549	10,628	11,960	13,375
PATM (%)	7.7	10.9	10.5	10.3

Source : RBL Research

Balance Sheet – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	599.1	599.1	599.1	599.1
Reserves & Surplus	42,758	51,229	60,793	71,412
Total Shareholder's Fund	43,357	51,828	61,392	72,011
Non-Current Liabilities				
Total borrowings	4,644	1,535	970	852
Other long term liabilities	1,374	1,484	1,271	1,495
Deferred tax liabilities	1,470	1,529	1,420	1,998
Long term provision	1,207	1,234	1,294	1,106
Current Liabilities				
Trade payables	17,146	19,686	22,158	24,768
Other current liabilities	6,582	6,517	7,117	8,257
Total Liabilities	75,780	83,813	95,622	110,487
Fixed Assets	13,050	17,272	20,341	23,088
Current work in process	2,785	2,785	3,585	3,585
Intangible assets	3,926	3,591	3,591	3,591
Non current investment	17,539	19,975	22,158	26,558
Other non-current assets	3,836	5,216	6,421	7,721
Current Assets				
Current investments	9,548	8,176	10,203	11,213
Inventories	8,881	9,960	11,063	12,618
Trade receivables	4,042	5,368	5,442	6,141
Cash & Cash equivalents	4,482	5,651	5,463	6,446
Other current assets	7,691	5,820	7,356	9,526
Total Assets	75,780	83,813	95,622	110,487

Source : RBL Research

Cashflow – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Reported PBT	9,560	13,984	15,737	17,599
Depreciation	3,154	3,218	3,378	3,547
Tax paid	(1,582)	(3,356)	(3,777)	(4,224)
Working capital Change	(2,023)	3,313	(1,667)	(1,685)
Operating Cash Flow (a)	9,109	17,159	13,671	15,238
Capex	(2,749)	(7,104)	(7,248)	(6,295)
Free Cash Flow	6,361	10,055	6,423	8,943
Investments	(1,161)	(3,816)	(3,388)	(5,700)
Investing Cash Flow (b)	(3,910)	(10,919)	(10,636)	(11,995)
Debt Issuance/ (Repaid)	(1,854)	(3,109)	(565)	(118)
Dividend Paid	(1,947)	(2,157)	(2,396)	(2,756)
Others	(567)	196	(263)	614
Financing Cash Flow (c)	(4,368)	(5,070)	(3,223)	(2,260)
Net Cash Flow (a + b + c)	831	1,169	(188)	983
Closing Cash	4,482	5,651	5,463	6,446

Source : RBL Research

Key ratios – standalone

Particulars	FY23	FY24E	FY25E	FY26E
Per Share Ratios (Rs)				
Dividend per share	16.3	18.0	20.0	23.0
EPS	66.6	88.7	99.8	111.6
CEPS	92.9	115.6	128.0	141.2
Book value per share	361.9	432.6	512.4	601.0
Profitability Ratios (%)				
EBITDA Margin	12.2	12.7	13.3	13.3
PBT Margin	11.3	14.4	13.9	13.6
Net Profit Margin	9.4	10.9	10.5	10.3
RoCE	20.5	27.1	26.7	25.6
RoE	19.6	22.3	21.1	20.1
Efficiency				
Debtors Velocity (Days)	17	20	18	17
Inventory (Days)	38	37	36	36
Creditor (Days)	74	74	71	70
Interest Cover Ratio (x)	36.0	103.5	122.5	144.0
Valuation Ratios (x)				
P/E	24.7	18.5	16.5	14.7
P/B	4.5	3.8	3.2	2.7
EV/EBITDA	19.0	15.6	12.8	11.1
Dividend Yield(%)	1.2	1.3	1.5	1.7

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com
James Kunnel	james.kunnel@religare.com

Before you use this research report, please ensure to go through the disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link: <https://www.religareonline.com/disclaimer>

Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

Copyright in this document vests exclusively with RBL. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from RBL. We do not guarantee the integrity of any emails or attached files and are not responsible for any changes made to them by any other person.

Research Disclaimer: <https://www.religareonline.com/disclaimer>