

# Retail Equity Research

## Mahindra & Mahindra Ltd.

Automobile

BSE CODE: 500520

NSE CODE: M&M

Bloomberg CODE: MM:IN

SENSEX: 79,468

**BUY**

12 Months Investment Period Rating as per Large Cap  
CMP Rs. 2,683 TARGET Rs. 3,026 RETURN 13% ↑  
(Closing: 07-08-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↓

### Revenue rises on higher automobiles volume

Mahindra & Mahindra Ltd (M&M) manufactures automobiles, farm equipment, automotive components and agricultural tractors, implements and engines.

- Consolidated net revenue from operation increased 9.8% YoY to Rs. 37,218cr driven by higher automobile volume.
- EBITDA margin expanded 110bps YoY to 19.5% supported by improved operating efficiency. Adjusted PAT dropped 6.4% YoY to Rs. 3,283cr.
- Sustained revenue growth, higher volume and rising market share in its key segment promise better performance in the long run. Strong open bookings and demand will continue to aid long-term growth for the company. Additionally, favourable market owing to the upcoming festival season and government spending will further aid growth. We, therefore, retain our upgrade our rating on the stock to BUY with a rolled over target price of Rs. 3,026, based on 22x FY26E adjusted EPS.

### Automotive segment continues to boost revenue

Consolidated net revenue from operations grew 9.8% YoY to Rs. 37,218cr in Q1FY25, supported by automobile revenue which increased 16.3% YoY to Rs. 19,776cr led by double-digit growth in auto volume (including Mahindra Last Mile Mobility's volume) to 212,000 (+14% YoY). Financial services revenue surged 20.7% YoY to Rs. 4,280cr. Revenue from the farm equipment segment remained flat YoY at Rs. 9,711cr. However, farm equipment volume rose 5% YoY to 120,000. The industrial businesses and consumer services vertical revenue edged down 0.9% YoY to Rs. 4,456cr. The company's subsidiary, Growth Gems grew 34% YoY to Rs. 23cr, aided by robust occupancy in its hospitality business and strong presales in real estate business.

### Higher revenue aids EBITDA; market share grows

EBITDA increased 16.0% YoY to Rs. 7,243cr, supported by higher revenue and better cost management. As a result, EBITDA margin expanded 110bps YoY to 19.5%. EBITDA growth was partly offset by an 8.2% YoY rise in cost of sales to Rs. 22,162cr. However, total cost of sales to revenue declined to 59.5% from 60.4% in Q1FY24. The company's market share increased. In Q1FY25, SUV and LCV market share (part of the automobiles segment) increased to 21.6% (130bps YoY) and 50.9% (160 YoY bps), respectively, while the farm segment market share expanded 180bps YoY to 44.7%. Reported PAT fell 6.4% YoY to Rs. 3,283cr. due to higher finance cost, lower other non-operating income, and higher tax.

### Key concall highlights

- The order bookings for SUVs stood around 178,000 units as on 1 July 2024. The Scorpio-N recorded the largest open booking of 58,000, followed by XUV 3XO with 55,000 open bookings.
- During the quarter, revenue market share of its SUV segment hit 21.6%, the highest in last two years.
- The company plans to increase its overall manufacturing capacity of SUVs to 72,000 units by FY26.

### Valuation

M&M sustained its revenue growth on account of higher volume, gain in market share and good show across the segments. The management expects favourable monsoon, improved government spending in the rural sector and upcoming festival season demand to support its overall performance in H2FY25. Moreover, better costs-to-sales ratio, new launches, strong open bookings and capacity expansion plans are expected to bode well for the long term. We, therefore, upgrade our rating on the stock to BUY with a revised target price of Rs. 3,026 based on 22x FY26E adjusted EPS.

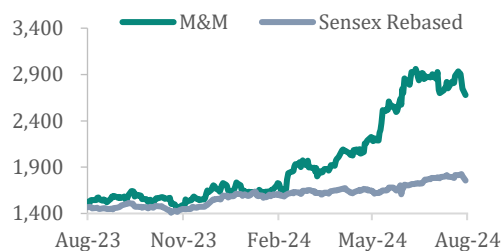
### Company Data

Market Cap (cr)	Rs. 300,340
Enterprise Value (cr)	Rs. 405,577
Outstanding Shares (cr)	112.0
Free Float	78.0%
Dividend Yield	0.8%
52 week high	Rs. 3,014
52 week low	Rs. 1,451
6m average volume (lacs)	36.5
Beta	1.1
Face value	Rs. 5

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	18.9	18.2	18.1
FII's	40.0	40.8	41.0
MFs/Insti	31.7	31.6	31.6
Public	9.2	9.2	9.1
Others	0.3	0.3	0.3
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	22.4%	55.9%	75.7%
Absolute Sensex	8.1%	10.1%	20.5%
Relative Return*	14.3%	45.8%	55.2%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	139,078	151,640	161,201
Growth (%)	14.6	9.0	6.3
EBITDA	24,892	28,597	31,980
EBITDA Margin (%)	17.9	18.9	19.8
Adj. PAT	11,269	12,721	15,323
Growth (%)	24.8	12.9	20.5
Adj. EPS	100.7	113.7	136.9
Growth (%)	24.7	12.9	20.5
P/E	19.1	23.6	19.6
P/B	3.2	3.9	3.3
EV/EBITDA	12.8	14.2	12.7
ROE (%)	18.5	17.6	17.5
D/E	1.4	1.2	1.0

## Quarterly Financials (Consolidated)

### Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	37,218	33,892	9.8	35,452	5.0
<b>EBITDA</b>	<b>7,243</b>	<b>6,246</b>	<b>16.0</b>	<b>6,604</b>	<b>9.7</b>
EBITDA margins	19.5	18.4	110bps	18.6	90bps
Depreciation	1,248	1,128	10.7	1,335	(6.5)
<b>EBIT</b>	<b>5,995</b>	<b>5,118</b>	<b>17.1</b>	<b>5,269</b>	<b>13.8</b>
Interest	2,108	1,719	22.6	1,989	6.0
Other Income	409	807	(49.4)	356	14.9
Exceptional Items	-	-	-	-	-
Share of profit from Associate	324	261	24.2	395	(17.8)
<b>PBT</b>	<b>4,621</b>	<b>4,468</b>	<b>3.4</b>	<b>4,030</b>	<b>14.7</b>
Tax	1,075	784	37.1	905	18.8
<b>Reported PAT</b>	<b>3,546</b>	<b>3,684</b>	<b>(3.7)</b>	<b>3,125</b>	<b>13.5</b>
Minority Interest	263	175	50.0	371	(29.0)
<b>PAT att. to shareholders</b>	<b>3,283</b>	<b>3,508</b>	<b>(6.4)</b>	<b>2,754</b>	<b>19.2</b>
Adjustments	-	-	-	-	-
<b>Adj. PAT</b>	<b>3,283</b>	<b>3,508</b>	<b>(6.4)</b>	<b>2,754</b>	<b>19.2</b>
No. of shares	112.0	111.8	0.1	111.9	0.0
<b>Adj. EPS (Rs.)</b>	<b>29.3</b>	<b>31.4</b>	<b>(6.5)</b>	<b>24.6</b>	<b>19.1</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	150,397	160,820	151,640	161,201	0.8	0.2
EBITDA	28,362	31,905	28,597	31,980	0.8	0.2
Margins (%)	18.9	19.8	18.9	19.8	0bps	0bps
Adj. PAT	12,558	15,344	12,721	15,323	1.3	(0.1)
Adj. EPS	112.2	137.1	113.7	136.9	1.3	(0.1)

## PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>90,171</b>	<b>121,362</b>	<b>139,078</b>	<b>151,640</b>	<b>161,201</b>
% change	21.4	34.6	14.6	9.0	6.3
<b>EBITDA</b>	<b>14,683</b>	<b>20,325</b>	<b>24,892</b>	<b>28,597</b>	<b>31,980</b>
% change	(3.9)	30.5	27.8	16.6	15.3
Depreciation	3,508	4,357	4,724	5,577	6,375
<b>EBIT</b>	<b>11,175</b>	<b>15,968</b>	<b>20,168</b>	<b>23,019</b>	<b>25,605</b>
Interest	5,018	5,830	7,488	7,970	7,443
Other Income	3,204	3,922	3,298	3,328	3,392
<b>PBT</b>	<b>9,362</b>	<b>14,060</b>	<b>15,978</b>	<b>18,378</b>	<b>21,554</b>
% change	75.1	50.2	13.6	15.0	17.3
Tax	2,109	2,686	3,708	4,626	5,425
Tax Rate (%)	22.5	19.1	23.2	25.2	25.2
<b>Reported PAT</b>	<b>7,253</b>	<b>11,374</b>	<b>12,270</b>	<b>13,752</b>	<b>16,129</b>
<b>PAT att. to common shareholders</b>	<b>6,577</b>	<b>10,282</b>	<b>11,269</b>	<b>12,721</b>	<b>15,323</b>
Adjustments	(414)	(1,250)	-	-	-
<b>Adj PAT</b>	<b>6,163</b>	<b>9,032</b>	<b>11,269</b>	<b>12,721</b>	<b>15,323</b>
% change	107.5	46.5	24.8	12.9	20.5
No. of shares (cr)	111.2	111.8	111.9	111.9	111.9
<b>Adj EPS (Rs.)</b>	<b>55.4</b>	<b>80.8</b>	<b>100.7</b>	<b>113.7</b>	<b>136.9</b>
% change	107.1	45.8	24.7	12.9	20.5
DPS (Rs.)	11.6	16.3	21.1	23.8	28.7

## CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>10,761</b>	<b>15,731</b>	<b>16,994</b>	<b>19,330</b>	<b>22,504</b>
Non-cash adj.	(2,268)	(21,661)	(23,335)	(5,472)	(4,291)
Changes in W.C	755	(1,144)	712	(2,159)	(978)
<b>C.F. Operation</b>	<b>9,248</b>	<b>(7,074)</b>	<b>(5,630)</b>	<b>11,699</b>	<b>17,236</b>
Capital exp.	(5,920)	(6,167)	(9,673)	(10,342)	(11,172)
Change in inv.	847	(5,271)	668	(1,829)	(7,071)
Other invest.CF	1,847	2,890	3,407	2,226	1,872
<b>C.F - Investment</b>	<b>(3,226)</b>	<b>(8,547)</b>	<b>(5,598)</b>	<b>(9,944)</b>	<b>(16,371)</b>
Issue of equity	(239)	387	1,408	1,408	1,408
Issue/repay debt	(3,926)	17,816	13,717	1,750	1,602
Dividends paid	(1,037)	(1,522)	(2,247)	(2,351)	(2,652)
Other finance.CF	(680)	(734)	(597)	(635)	(593)
<b>C.F - Finance</b>	<b>(5,883)</b>	<b>15,946</b>	<b>12,281</b>	<b>172</b>	<b>(235)</b>
Chg. in cash	139	325	1,054	1,926	630
Closing cash	11,118	11,273	12,013	13,939	14,569

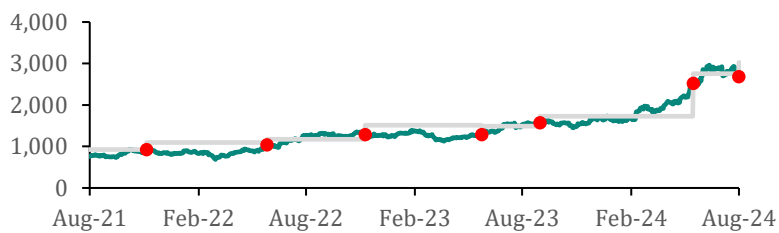
## BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	11,118	11,273	12,013	13,939	14,569
Accounts Receivable	6,374	7,028	7,459	7,961	8,382
Inventories	11,596	16,855	18,590	20,345	21,132
Other Cur. Assets	46,061	56,169	60,203	64,114	66,482
Investments	19,211	21,007	21,573	23,085	29,994
Gross Fixed Assets	36,032	34,962	44,635	54,977	66,149
Net Fixed Assets	21,902	20,351	21,409	25,010	28,379
CWIP	3,036	1,223	3,461	4,154	4,984
Intangible Assets	7,783	9,535	11,299	11,830	12,487
Def. Tax (Net)	1,724	1,615	1,579	2,082	2,441
Other Assets	45,309	60,836	78,714	79,365	80,696
<b>Total Assets</b>	<b>174,113</b>	<b>205,892</b>	<b>236,301</b>	<b>251,884</b>	<b>269,547</b>
Current Liabilities	30,246	36,840	40,062	39,436	39,442
Provisions	1,498	1,816	1,763	1,917	2,083
Debt Funds	74,667	88,767	105,225	106,975	108,577
Other Liabilities	10,876	11,387	11,741	13,238	14,240
Equity Capital	556	557	557	1,966	3,374
Reserves & Surplus	46,567	55,809	65,633	76,003	88,674
Shareholder's Fund	47,123	56,366	66,191	77,969	92,048
Minority Interest	9,703	10,716	11,319	12,350	13,157
<b>Total Liabilities</b>	<b>174,113</b>	<b>205,892</b>	<b>236,301</b>	<b>251,884</b>	<b>269,547</b>
<b>BVPS (Rs.)</b>	<b>424</b>	<b>504</b>	<b>591</b>	<b>697</b>	<b>823</b>

## RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	16.3	16.7	17.9	18.9	19.8
EBIT margin (%)	12.4	13.2	14.5	15.2	15.9
Net profit mgn.(%)	7.3	8.5	8.1	8.4	9.5
ROE (%)	15.4	20.2	18.5	17.6	17.5
ROCE (%)	8.5	10.2	11.0	11.7	12.0
<b>W.C &amp; Liquidity</b>					
Receivables (days)	25.4	20.8	19.3	18.9	18.7
Inventory (days)	80.6	82.0	80.0	81.0	80.5
Payables (days)	132.3	116.0	110.5	102.6	99.0
Current ratio (x)	1.3	1.3	1.3	1.4	1.5
Quick ratio (x)	0.5	0.5	0.4	0.5	0.5
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.7	3.4	3.5	3.0	2.7
Total asset T.O (x)	0.5	0.6	0.6	0.6	0.6
Int. coverage ratio (x)	2.2	2.7	2.7	2.9	3.4
Adj. debt/equity (x)	1.3	1.3	1.4	1.2	1.0
<b>Valuation</b>					
EV/Sales (x)	1.8	1.8	2.3	2.7	2.5
EV/EBITDA (x)	11.1	10.7	12.8	14.2	12.7
P/E (x)	14.6	14.3	19.1	23.6	19.6
P/BV (x)	1.9	2.3	3.2	3.9	3.3

## Recommendation Summary (Last 3 Years)



Dates	Rating	Target
15-Nov-22	BUY	1,512
31-May-23	BUY	1,486
6-Sep-23	HOLD	1,728
22-May-24	HOLD	2,754
8-Aug-24	BUY	3,026

Source: Bloomberg, Geojit research

### Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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