

Mahindra & Mahindra



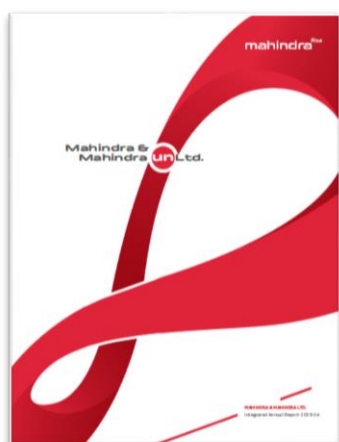
BSE SENSEX
80,040

S&P CNX
24,406

CMP: INR2,811

TP: INR3,300 (+17%)

Buy



Bloomberg	MM IN
Equity Shares (m)	1244
M.Cap.(INRb)/(USDb)	3496.1 / 41.8
52-Week Range (INR)	3014 / 1416
1, 6, 12 Rel. Per (%)	-6/58/56
12M Avg Val (INR M)	6167
Free float (%)	81.9

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	988	1,177	1,374
EBITDA	129.2	154.3	187.2
Adj. PAT	107.2	129.7	154.6
EPS (INR)	89.4	108.2	128.9
EPS Gr. (%)	35.0	21.1	19.2
BV/Sh. (INR)	436	521	624

Ratios

RoE (%)	22.4	22.6	22.5
RoCE (%)	20.5	21.5	21.7
Payout (%)	24	22	20

Valuations

P/E (x)	32.8	27.1	22.7
P/BV (x)	6.7	5.6	4.7
Div. Yield (%)	0.7	0.8	0.9
FCF Yield (%)	1.8	3.1	3.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	18.1	18.1	18.9
DII	25.7	25.6	26.3
FII	46.8	46.8	45.4
Others	9.4	9.5	9.5

Working to "Deliver Scale"

Remains committed to delivering 15-20% EPS growth and 18% ROE

Mahindra & Mahindra's (MM) annual report FY24 outlines its strategic focus on its journey to "Deliver Scale" across its businesses, categorized into three buckets. First, it aims to capitalize on market leadership in SUVs and tractors by expanding its market presence through customer-obsessed brands, pioneering technology leadership, and global reach. Second, the company is focusing on unlocking the full potential of Mahindra Finance and Tech Mahindra, recognizing their significant potential for value creation. Both businesses have unique strengths that position them to become leaders in their respective segments. Lastly, its 'Growth Gems' are expected to achieve a fivefold increase in scale and value over the next 5-7 years. It remains committed to delivering 15-20% EPS growth and 18% ROE, ensuring sustained profitability and shareholder value. We maintain our BUY rating with a revised TP of INR3,300 (based on Jun'26E SOTP).

We present below the key insights from MM's annual report.

Key highlights from MM's Annual Report FY24

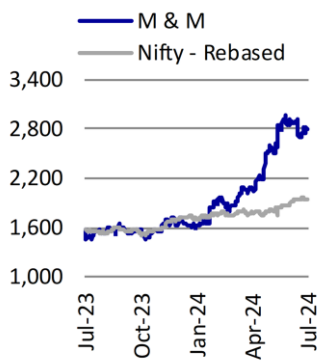
- Farm Equipment Sector (FES) — Targets strong growth across segments:** Over the past three years, MM's market share grew by 3.4%. Strategic imperatives for the FES division include: 1) to reinforce its market share with new product launches and enhancement of its distribution reach, 2) to achieve 1.6x growth in exports by FY26 by ramping up its presence in Turkey, Finland and Japan, and 3) to target significant growth in farm machinery by FY26.
- Automotive — Capitalizing on market leadership in SUVs:** Notable achievements of the auto segment include: 1) No. 1 in SUV revenue market share for the second year in a row in FY24, 2) strengthening its leadership in the <3.5T LCV segment with a share of 49% in FY24, 3) 480bp margin improvement in two years. Going forward, MM aims to sustain its dominance in autos across key segments with new launches (23 products by 2030, including ICE, BEVs, and LCVs) and has earmarked capex of INR270b over FY25-27 for the same. MM aims to manufacture 200k EVs during 2027-2029 from its 'Born Electric' range and aims to have 20%-30% EV contribution to its SUV sales by 2027.
- Mahindra Finance (MMFS) and Tech Mahindra (TECHM) — Unlocking full potential:** MMFS and TECHM are sizeable businesses with strong potential for value creation. They have underperformed recently due to operational challenges. MM is currently implementing a plan to get the performance of these key entities back on track.
- 5x growth challenge for Growth Gems:** As per the management, the valuation of its Growth Gems has increased by more than 4x in the last four years to USD4.2b. By nurturing these 'Growth Gems,' MM aims to achieve a fivefold increase in their scale and value over the next 5-7 years.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Stock Performance (1-year)**FES segment — Forecast of healthy monsoon bodes well for tractor demand**

- Domestic tractor industry volumes declined 7.4% YoY to ~876k units in FY24. However, MM managed to gain market share by 40bp to 41.6%.
- As indicated in the annual report, the forecast of a normal southwest monsoon this year is anticipated to further stimulate tractor demand in the upcoming months. Additionally, the government's announcement of increased horticulture production estimates and higher Rabi wheat output compared to last year should generate positive sentiment among farmers.
- Over the past three years, MM's market share has grown by 3.4%. FY24 witnessed the successful launch of OJA, Target, and Naya Swaraj. Through product innovation, improved financing, digital transformation and superior services, MM is expanding its dealer reach, strengthening the supply chain, optimizing pricing, and enhancing partnerships for a stronger market presence, including through its third brand, Trakstar.
- MM launched its new tractor program, OJA, designed for horticulture and paddy cultivation applications. The company recently launched the OJA series of lightweight tractors across three platforms. These tractors are equipped with three distinct Technology Packs: MYOJA (Intelligence Pack), PROJA (Productivity Pack), and ROBOJA (Automation Pack). This initiative introduces category-first features aimed at enhancing intelligence, productivity, and automation in agricultural operations.
- **Expanding international operations:** In F24, MM exported 13,860 tractors. Exports have been sluggish due to a slowdown in key markets like the US and Sri Lanka. M&M has launched the OJA in US market in Q4FY24, the 2nd largest market for MM outside India. They also plan to enter Europe in CY25. The rapid production scale-up of OJA tractors allows MM to address 25% of the global tractor market while entering new regions such as Europe and ASEAN.
- Following are the strategic imperatives for FES division:
 - **New product launches and channel expansion:** The farm division aims to introduce new products and broaden its distribution channels to reinforce its market position.
 - **Exponential growth in farm machinery:** Recognizing the high potential of the farm machinery segment, the division plans to scale up this segment significantly by F26 compared to F22.
 - **Expanding international business:** MM targets 1.6x growth in international business by F26, focusing on key markets and leveraging its centers of excellence in Turkey, Finland, and Japan.
 - **Leading in technology innovation:** By investing in cutting-edge technologies and forming strategic partnerships, MM aims to maintain its leadership in farm technology and bring innovative solutions to the market.

Auto segment - To launch 23 new products across powertrain by 2030

- The automotive segment achieved its highest-ever annual sales volume of ~825k units, up ~18% YoY. UV volumes grew ~28% YoY to 459.9k units, with a market share of 18.2%, up 40bp YoY. MM continues to dominate the SUV segment with a revenue market share of 20.4%, up 130bp YoY.
- As of 1st May'24, SUV bookings stood at 220k, significantly lower than last year. This indicates enhanced production capacity and delivery efficiency. SUV

capacity was increased to 49k units per month by FY24 end from 39k in FY23, and will be increased to 64k by FY25 end and to 72k by FY26 end.

- MM's market share for LCVs under 3.5 tons stood at 49% in FY24, up 350b YoY. The market share gain was driven by the launch of a whole new range of Pik-Up under the brand Maxx-Pik Up catering to the requirements of intracity, intercity as well as rural customers.
- The company posted export volume of ~24,663 vehicles, down ~23.2% YoY. Total export volume was affected by continued headwinds in South Asia and Africa. However, there was growth in Australia, New Zealand, South and Central America, driven by a strengthened SUV portfolio. Its market share has reached 6.2% in South Africa and 5% in Australia. MM has also plans to enter new markets like the UK and Europe with its 'Born Electric' range.
- For the truck and bus division, the company achieved remarkable volume growth of 31% YoY to 13,155 units, significantly outpacing industry growth of 2%. Notably, this segment delivered positive EBDITA in all four quarters of FY24.
- Following are the strategic imperatives for the auto division-
 - **Strengthening ICE SUV leadership:** MM continues to reinforce its dominance in the ICE SUV market with strong brands like Scorpio, Bolero, XUV700, XUV 3XO, and Thar.
 - **New product launches:** The company plans to launch 23 new products by 2030, which include seven LCVs (five ICEs + two BEV in <3.5T segment), nine SUVs (six new and others mid-cycle upgrades) and seven BEVs.
 - Develop a new category of e-SUVs based on its proprietary INGLO platform
 - Maintain its lead in the LCV segment through ongoing innovation and product enhancements
 - Increase its international operations significantly
 - **Enhancing brand and customer focus:** MM aims to create a lasting legacy of SUV leadership and customer-focused innovations.
 - **MM is committed to investing INR270b in capex over FY25-27** —INR140b in ICE, INR120b in EVs and INR10b as investments. This is a sharp rise in capex from INR137b over FY22-24 (auto capex of INR91b and INR40bn in MEAL).

Electrification — Committed to investing INR120b over FY25-27

- The EV industry has experienced exceptional growth globally, with a 51% CAGR over the past five years. In CY23, global EV sales reached 1b units, representing 15.5% of total PV sales. MM reported 61% YoY growth in EV sales to 74,217 units in FY24.
- By 2027, MM expects EVs to account for 20-30% of its SUVs by 2027, aligning with its commitment to becoming planet-positive by 2040 and leading the EV SUV sector. It aims to manufacture 200k EVs between 2027 and 2029 from its 'Born Electric' range.
- In line with its strategic vision, MM has committed INR120b over FY25-27 to establish manufacturing facilities and develop SUV electric vehicles. Progress has been made at its 'Born Electric' facilities, including the construction of a new factory and advanced battery manufacturing capabilities.
- During the year, MM finalized a securities subscription and shareholders' agreement with Jongsong Investments Pte Ltd (Temasek) and Mahindra Electric Automobile Limited (MEAL). Under this agreement, Temasek has agreed to

invest INR12b in MEAL through compulsory convertible preference shares (CCPS), with a valuation of up to INR806b. This investment grants Temasek an ownership stake ranging from 1.49% to 2.97% in MEAL. They have invested INR3b in FY24.

MMFS and TECHM — Unlocking full potential

- Over the past few years, they have underperformed their peers due to various operational challenges. In FY24, TECHM posted a ~52% YoY decline in PAT and MMFS posted an 11% YoY decline. MMFS and TECHM are sizeable businesses with strong potential for value creation. MM is implementing a plan aimed at achieving leadership positions in these sectors, which should unlock significant value.
- MMFS has laid down a comprehensive mission to achieve- i) stable asset quality GS-3 <6%, ii) 2x AUM growth, iii) 15% contribution from new business lines, iv) maintain NIMs at ~7.5%, v) operating leverage cost to assets of 2.5%, and vi) ROA of 2.5% on a sustained basis.
- TECHM has outlined a clear vision for FY27 with focus on three strategic objectives to achieve its stated objective of ‘Scale at Speed’: i) revenue sales improvement — sales organization has been simplified to six sales SBUs from 12, ii) margin improvement by working on centralizing the delivery structure to enable innovation and domain expertise, and iii) organization — internal policies are being reworked. Its FY27 goals include outperforming the peers in revenue growth, EBIT margin of 15%, ROCE of over 30% and capital return of over 85% of FCF.

5x challenge for Growth Gems

- The management has shortlisted a few businesses within the group that are expected to become value creators in the future.
- Some of these businesses are: Farm machinery, Mahindra Susten, Mahindra Lifespace, Mahindra Holidays, Classic Legends, Last Mile Mobility, Mahindra Aerospace Defense, and Car & Bike.
- In FY24, these Growth Gems posted total PAT growth of 6% YoY.
- As per the management, the valuation of its Growth Gems has increased by over 4x in the last four years to USD4.2b. By nurturing these Growth Gems, it aims to achieve a fivefold increase in their scale and value over the next 5-7 years.

Last Mile Mobility (LMM) — Secured investment of INR10b in FY24

- During the year ended 31st Mar’24, MM formed a wholly owned subsidiary, Mahindra Last Mile Mobility Limited (MLMML), and transferred identified assets and business pertaining to this business for a cash consideration of INR8.5b. MM’s total investment in MLMML stood at INR8.6b as of Mar’24.
- The business includes models like electric Treo, Zor Grand, e-Alfa range, and ICE vehicles such as the Alfa 3-wheeler and Jeeto 4-wheeler.
- Total volumes for the business grew ~20.6% YoY to 101k units in FY24. EV volumes grew ~51.5% YoY to 66,190 units. It reported a revenue of INR23.7b and a net profit of INR262m during the year.
- Two marquee global investors have invested in LMM so far: 1) International Finance Corporation (IFC) has agreed to invest up to INR6b in the company (invested INR3b in FY24), 2) India Japan Fund, managed by National Investment

and Infrastructure Fund Ltd., has agreed to invest INR4b in MLMML at a valuation of up to INR66b, and has so far invested INR2b in FY24.

- MM is setting up a new manufacturing unit for a state-of-the-art battery assembly line, producing power packs and manufacturing electronic as well as drivetrain components for e-3Ws and e-4Ws. This advanced facility, scheduled to commence operations in just 200 days, will have an annual capacity of 200k units and will integrate cutting-edge technologies such as AI, Vision systems and over 800 robots.
- As highlighted above, MM targets to launch over 10 new products or upgrades in LMM, featuring best-in-class powertrain efficiency and design by 2030.

Classic Legends — Proposed investment of INR8.75b

- In FY24, Classic Legends reported an ~11% YoY decline in revenue to INR6.4b with a net loss of INR1.5b (flat YoY).
- The domestic market volumes for FY24 were affected by delays in launching enhanced products and reduced marketing expenditures. Exports also declined due to economic slowdowns in the UK and Europe, compounded by the Russia-Ukraine conflicts, which dampened demand sentiment.
- Despite these challenges, with secured funding for future growth and the addition of new external investors, the focus is now on enhancing products, introducing new launches, dealer development, extending market reach, and implementing cost efficiencies. These initiatives aim to significantly boost volumes and enhance margins for FY25 and beyond.
- In FY24, Classic Legends entered into securities subscription agreements and an amended & restated shareholders' agreement with the company, existing shareholders of CLPL, and new investors. These agreements outline terms for a proposed investment of INR8.75b in CLPL. The investment will comprise INR5.25b from MM and INR3.5b from existing shareholders and new investors to be disbursed in tranches over the next 2-3 years as per the agreed terms.
- Part of the INR8.75b investment has already been completed in FY24. CLPL plans to utilize this investment to strengthen its business and leverage the synergies between the company and its partners.

Farm machinery — Expects to sustain growth rate of over 30%

- Farm machinery remains a promising sector amid concerns over farm productivity and labor shortages. MM's strategy for the farm machinery business is aggressive, focusing on 'Made in India' products like rotary tillers, harvesters, and rice transplanters.
- Despite rural economic challenges, farm machinery grew 32% YoY to INR8.66b in FY24.
- This growth was led by significant achievements in rotary tillers, propelling MM to the No. 2 position in just three years with a market share of 20.3% in FY24. With a revival in the rural economy, the segment is anticipated to sustain a growth rate of over 30% as per the management.
- The segment is expanding with the introduction of rotary tillers and harvesters for the domestic market, and tractor-driven implements for exports. Leveraging its CoE in Turkey, Finland, and Japan, the company aims to introduce advanced implements and machinery in India. It has also successfully launched rotary tillers, loaders and backhoes in North America in FY24.

Growth Gems	Strategic imperatives
Mahindra Susten	❖ Target to scale up from 1.5 GW to 7.0 GW by FY27
Mahindra Accelo	❖ Aim to become the largest supplier of auto components in India ❖ Become the largest player in organized vehicle recycling by FY28.
Last Mile Mobility	❖ Target to launch over 10 new products or upgrades featuring best-in-class powertrain efficiency and design by 2030
Mahindra Lifespaces	❖ Expand market presence through blockbuster project launches with an emphasis on growth in project scale and frequency
Mahindra Holidays	❖ Aim to double the cumulative room inventory from 5,000 in FY23 to 10,000 by FY30.
Mahindra Logistics	❖ Technology Innovation with launch of an integrated Tech stack (LogiOne)
	❖ Integrated Solutions Increase by focusing on Total Cost of Ownership (TCO) and create a competitive advantage with clients
	❖ Network service expansion with expanding services in express B2B, global freight forwarding, last mile delivery and EV cargo
Farm Machinery	❖ Strengthen the product portfolio with an aim to achieve market leadership in the farm machinery segment, matching its leadership in tractor.

Source: Company, MOFSL

Key developments during the year

Beyond the strategic investments in MEAL, LMM and CLPL highlighted above, below are some key developments announced in FY24 by MM:

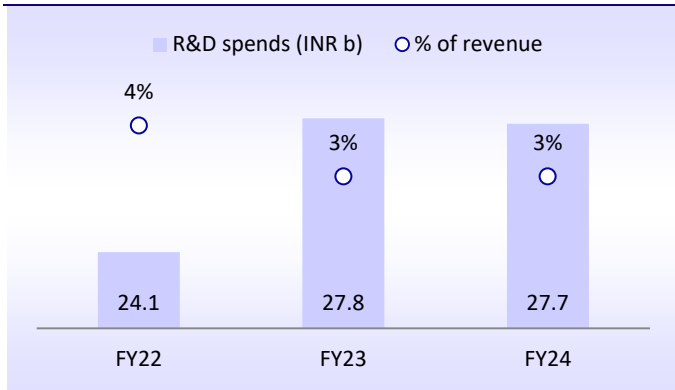
- **Acquisition of stake in RBL Bank:** During the year, MM acquired 21.1m equity shares of RBL Bank, representing 3.53% of RBL's paid-up share capital, for INR4.17b. As per the management, the primary purpose was to understand banking and enable them to enhance the value of financial service business. However, the management clarified that it does not expect to invest further in RBL Bank, unless it sees a compelling strategic value in the same.
- **Strategic partnership in renewables business:** As part of MM's partnership with the Ontario Teachers' Pension Plan Board (OTPP), OTPP's subsidiary, 2452991 Ontario Limited (2OL), increased its stake by 9.99% in Mahindra Susten (MSPL) and Emergent Solren (ESPL). This was done through a share purchase agreement with Mahindra Holdings (MHL), a wholly-owned subsidiary of MM. Following this transaction, MHL now holds 60.01% of MSPL and ESPL, while 2OL holds 39.99%. As part of the partnership with OTPP, it was also envisaged to form an InvIT to unlock value in the renewable energy sector through a series of transactions during the year.
- **Merger of Mahindra Heavy Engines, Mahindra Two Wheelers and Trringo. Com with MM:** In Aug'23, the board approved the scheme of merger by absorption of Mahindra Heavy Engines (MHEL), Mahindra Two Wheelers (MTWL), and Trringo.com (TCL), with MM. This merger, subject to requisite approvals, was expected to be effective from Apr'23, or another date approved by the NCLT or other authority. After the merger, all assets and liabilities of MHEL, MTWL, and TCL will be transferred to and recorded by MM at their carrying values. No new shares will be issued in exchange for MM's holdings in these subsidiaries, and the existing equity shares in MHEL, MTWL, and TCL will be canceled. The NCLT approved the scheme in May'24.
- **Sale of stake held by MM in CIE Automotive India (formerly known as Mahindra CIE Automotive):** As noted in the previous annual report, MM sold its entire stake of 1,21,22,068 equity shares of INR10 each in CIE India, representing 3.195% of the paid-up share capital. Following this sale, MM no

longer holds any equity interest in CIE India and has ceased to be a promoter of the company.

Significant efforts made for technology absorption

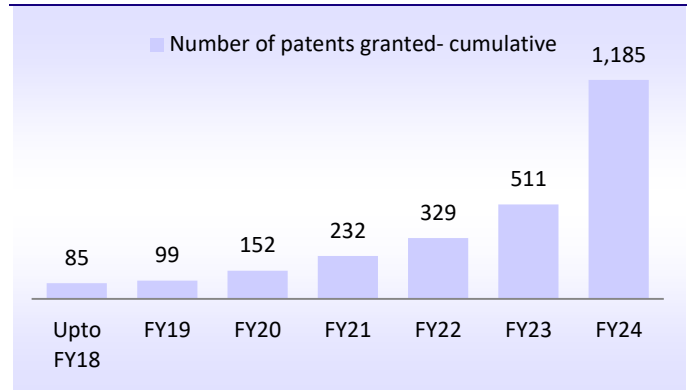
- MM continues to invest in technology development and protection through patents, which would help the company maintain a competitive edge for its products in the market. In FY24, MM filed a total of 193 patent applications. However, R&D spending remained flat YoY at INR27.7b.
- Cumulatively, it has filed 2,212 patent applications to date. The company’s total granted patent portfolio stands at 1,185 across multiple geographies and has significantly grown over the last few years.
- In FY24, 47% of R&D (vs 23% in FY23) and 28% of capex (vs 13% in FY23) were allocated toward improvement in environmental and social impact, done through MEAL. These initiatives include- i) development of Trem 4, Trem V, CPCB4, stage V technologies, and ii) facility addition for ‘Born EV’ development.

Exhibit 1: R&D spending at 3% of revenue



Source: Company, MOFSL

Exhibit 2: Patents have seen a sharp rise



Source: Company, MOFSL

Financials commentary

- FY24 standalone revenue grew ~16% YoY to INR987.6b. Tractor volume declined ~7% YoY, while auto volume grew ~18% YoY. Net realization grew 7% YoY.
- Income from investment related to subsidiaries, associates and JV grew ~46% YoY to INR24.56b, contributing ~2.4% of revenue in FY24, up from 1.9% in FY23.
- EBITDA grew ~16% YoY to INR129.1b with EBITDA margin of 13.1%, up 80bp YoY. This was driven by a decline in RM prices and operating leverage.
- Income from investment in subsidiaries includes INR2.4b from the sale of investments and INR2.71b from the reversal of impairment provisions.
- Other income includes a gain of INR2,096m on the transfer of identified assets and business pertaining to the Last Mile Mobility business in the current year.
- PAT grew ~35% YoY to INR107.2b.
- In FY24, MM incurred a capex of INR49.3b, including INR39b for autos and ~INR10.2b for FES. It also incurred INR30b for its EV subsidiaries, MEAL and LMM. Over the last three years, the company has generated net cash of ~INR197b, including ~INR64b/INR64b/INR70b from auto/FES/services.
- ROE/ROCE expanded 22.4%/20.5% in FY24 vs. ~19.5%/17% in FY23. Auto/FES segments reported ROCE of 42% and 47% respectively.

- The company has earmarked a capex of INR370b over FY25-27, with INR270b for autos and INR50b each for FES and services. Within autos, a capex of INR120b would be for the EV business (MEAL) and INR140b for ICEs.
- The company had earlier indicated that its FES and auto divisions are expected to generate sufficient operating cash to satisfy their capex needs.

Valuation and view

- **Healthy launch pipeline to drive market share gains in UV segment:** MM continues to enjoy a strong order backlog of 220k units (XUV700: 16k units, Scorpio: 86k units, Thar: 59k units and the new XUV 3XO: 50k units). The recently unveiled XUV 3XO has seen an unprecedented response with 50k bookings within the first hour of launch. Further, MM is expected to launch Thar's five-door variant in 1HFY25. MM targets to launch nine ICE SUVs (including six new launches and three mid-cycle upgrades), seven BEVs and seven LCVs by 2030. Driven by a strong order backlog and new launches, we expect MM to continue to outperform industry growth even in FY25. We assume MM to post a 19% volume CAGR in UVs over FY24-26E.
- **Tractor industry to revive in FY25E:** After peaking at 940k units in FY23, the tractor industry witnessed weak demand in FY24 and posted a 7% YoY decline due to a below-normal monsoon. After the base correction in FY24, we expect tractor demand to revive on the back of the normalization of the festival season anomaly and positive terms of trade for farmers. Further, MM gained 40bp share in FY24 to 41.6%. We expect the company to gain another 50bp share in FY25, led by new launches in the lightweight tractor category (OJA and Swaraj). We expect the tractor industry to post 5-6% growth and MM's tractor segment to report 7% growth over FY24-26E.
- **To capitalize on market leadership in the <3.5T LCV category:** MM maintains a dominant position in the <3.5T segment with a market share of 49% in FY24 (vs. 41.5% in FY21). While the PikUp segment seems to have seen subdued demand in FY24 after surpassing its previous peak in FY23, we anticipate its growth to rebound from FY25 onward. The resurgence will be backed by the ongoing e-commerce boom in India and the demand stemming from the hub-and-spoke model in the industry. We expect MM to clock a 9% volume CAGR over FY24-26E in this segment on a corrected base of FY24.
- **Strategy in place for EV transition:** MM has articulated a clear roadmap for its EV transition and has already partnered with VW. Under this partnership, VW will supply components of its MEB platform to MM's INGLO platform. On this platform, MM plans to launch five all-electric SUVs in India starting from Dec'24. MM has lined up investments of INR120b in EVs over the next three years. It expects EVs to contribute to 20-30% of its mix in five years.
- **Value unlocking in growth gems provides option value:** MM has identified nine businesses as its growth gems and has set an ambitious target of achieving 5x growth in 5-7 years for each of these segments. Any incremental value unlocked in any or all of the growth gems in the coming years is likely to provide additional returns for MM shareholders.
- **Valuation and view:** We estimate MM to post a CAGR of ~18%/20%/20% in revenue/EBITDA/PAT over FY24-26. While MM has outperformed its own set targets on earnings growth and RoE of 18% in FY24 itself, it maintains long term

guidance of 18% RoE, as it has now guided for capex guidance (including investments) of INR370b for FY25-27E from INR175.6b invested during FY22-24. The implied core P/E for MM stands at 27.8x/22.5x FY25E/FY26E EPS. We maintain our BUY rating with a revised TP of INR3,300 (based on Jun'26E SOTP).

Exhibit 3: Summary of MM's performance vs. industry across categories

Industry Segment	Industry			M&M			M&M Market Share	
	FY 2022-23	FY 2023-24	Growth	FY 2022-23	FY 2023-24	Growth	FY 2022-23	FY 2023-24
Utility Vehicles	20,03,718	25,20,691	25.8%	3,56,961	4,59,864	28.8%	17.8%	18.2%
Passenger Cars	17,47,376	15,48,943	-11.4%	214	0	-100.0%	0.0%	0.0%
MPV (Vans)	1,39,020	1,49,112	7.3%	2,078	13	-99.4%	1.5%	0.0%
Passenger Vehicles	38,90,114	42,18,746	8.4%	3,59,253	4,59,877	28.0%	9.2%	10.9%
LCV Goods < 2T GVW	1,92,982	1,76,310	-8.6%	40,419	44,093	9.1%	20.9%	25.0%
LCV Goods 2-3.5T GVW	3,31,655	3,19,040	-3.8%	1,98,121	1,91,603	-3.3%	59.7%	60.1%
LCV Goods < 3.5T	5,24,637	4,95,350	-5.6%	2,38,540	2,35,696	-1.2%	45.5%	47.6%
LCV Goods > 3.5T GVW	34,513	47,584	37.9%	1,959	15,809	707.0%	5.7%	33.2%
LCV Goods Total	5,59,150	5,42,934	-2.9%	2,40,499	2,51,505	4.6%	43.0%	46.3%
M+ICV Goods (7.5 to 18.5T)	1,03,485	1,00,372	-3.0%	1,657	1,818	9.7%	1.6%	1.8%
HCV Goods > 18.5T	2,17,108	2,19,686	1.2%	4,742	6,146	29.6%	2.2%	2.8%
MHCV Goods	3,20,593	3,20,058	-0.2%	6,399	7,964	24.5%	2.0%	2.5%
LCV Passenger	44,315	51,750	16.8%	1,678	3,341	99.1%	3.8%	6.5%
CV Goods	8,79,743	8,62,992	-1.9%	2,46,898	2,59,469	5.1%	28.1%	30.1%
CV Total	9,24,058	9,14,742	-1.0%	2,48,576	2,62,810	5.7%	26.9%	28.7%
3W	4,88,768	6,91,749	41.5%	58,520	77,589	32.6%	12.0%	11.2%
Total Domestic	53,02,940	58,25,237	9.8%	6,66,349	8,00,276	20.1%	12.6%	13.7%

Source: Company, MOFSL

Exhibit 4: FY22-24: Net cash generation

STANDALONE M&M + MEAL + LMM Co

Rs cr.

	Auto	Farm	Services	Total
Operating cash (incl. monetization, dividend)	20,136	9,623	7,501	37,261
Deployment	(13,725)	(3,247)	(585)	(17,558)
<i>Capex</i>	<i>(9,101)</i>	<i>(2,632)</i>		<i>(11,733)</i>
<i>EV: MEAL + LMM Co net⁵</i>	<i>(4,042)</i>			<i>(4,042)</i>
<i>: PE funds raised</i>	<i>2,000</i>			<i>2,000</i>
<i>Investments</i>				
<i>Restructuring</i>	<i>(1,212)</i>			<i>(1,212)</i>
<i>Ongoing</i>	<i>(1,370)</i>	<i>(615)</i>	<i>(585)</i>	<i>(2,570)</i>
Net cash generation⁵	6,411	6,376	6,916	19,703

Source: Company, MOFSL

Exhibit 5: FY25-27: Cash deployment

STANDALONE M&M + MEAL + LMM Co

Rs cr.

	Auto	Farm	Services	Total
Deployment	(27,000)	(5,000)	(5,000)	(37,000)
Capex – ICE	(14,000)			(14,000)
EV – MEAL net	(12,000)			(12,000)
Capex – Farm		(5,000)		(5,000)
Investments	(1,000)		(5,000)	(6,000)
	(Excl cell localization)		(MMFSL, Growth gems)	

Source: Company, MOFSL

Exhibit 6: Auto: Investment plan for FY25-27 cycle

Particulars	FY25-27 (INR b)
SUV ICE	85
CV (incl. EV & MTBD)	40
Sustenance	15
Auto Total	140
Investment in MEAL	120
Investments for New Products & Capacity (Auto + MEAL)	260
Investment in other Subs	10
Total Auto investment plan	270

Source: Company, MOFSL

Exhibit 7: Farm: Investment plan to bring new products

Particulars	FY25-27 (INR b)
New Product	28
Capacity	7
Regulatory & Sustenance	15
Total Farm investment plan	50

Source: Company, MOFSL

Exhibit 8: Key financials improved in FY24

Particulars	FY23	FY24
EBITDA margin %	12.3	13.1
Net margin %	7.56	10.59
RoE %	16.06	22.41
RoCE %	18.13	26.75
RoI %	5.75	7.45
D/E (x)	0.11	0.03

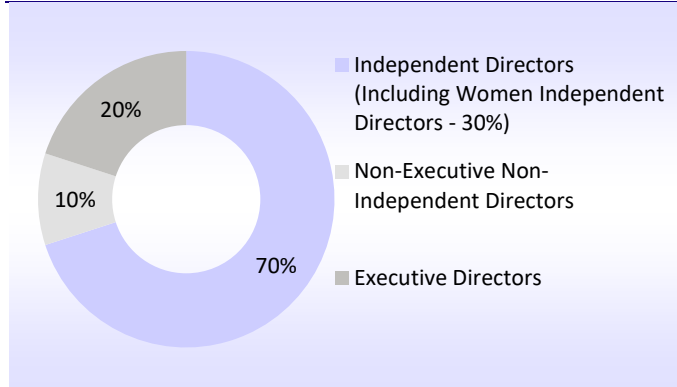
Source: Company, MOFSL

Exhibit 9: Details of exceptional items

Particulars (INR m)	FY23	FY24
Impairment of investment	-	2,433
Loss on derivatives on interest in subsidiaries, associates and joint ventures	629	99
Total	629	2,533

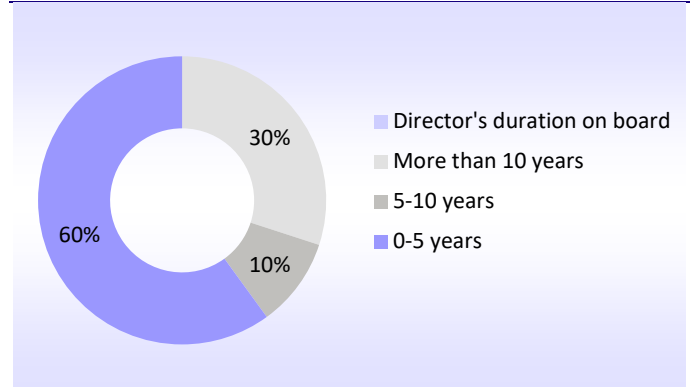
Source: Company, MOFSL

Exhibit 10: Board demographics



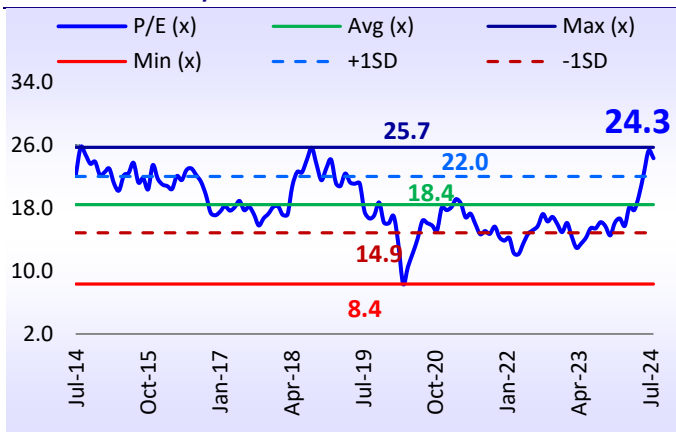
Source: Company, MOFSL

Exhibit 11: Director's duration on board



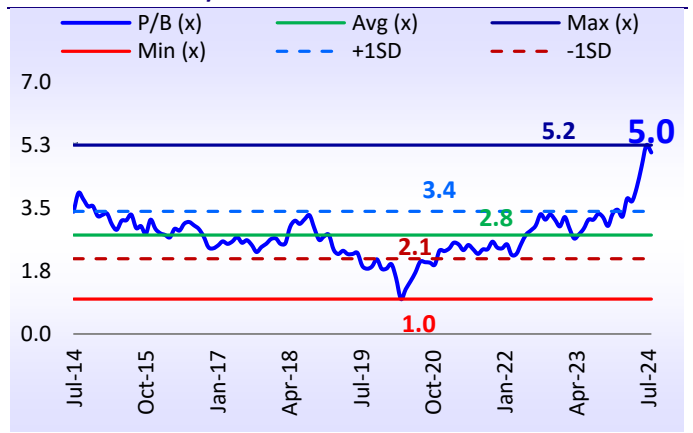
Source: Company, MOFSL

Exhibit 12: Core P/E chart



Source: Company, MOFSL

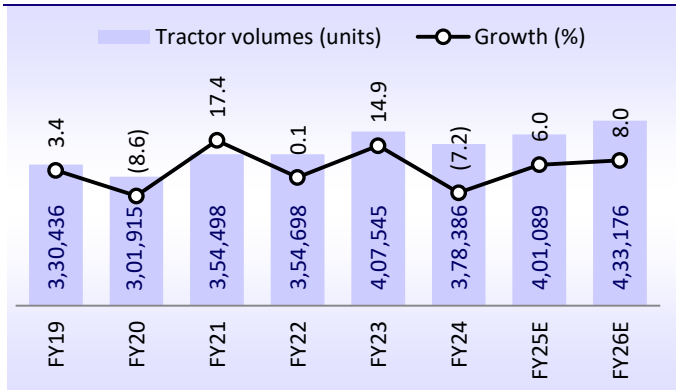
Exhibit 13: Core P/B chart



Source: Company, MOFSL

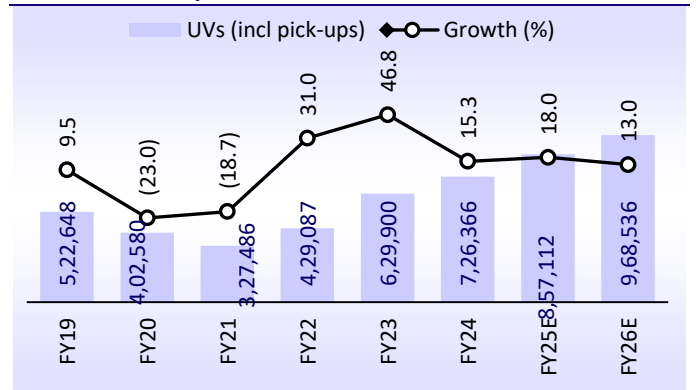
Story in charts

Exhibit 14: Trend in Tractor volumes



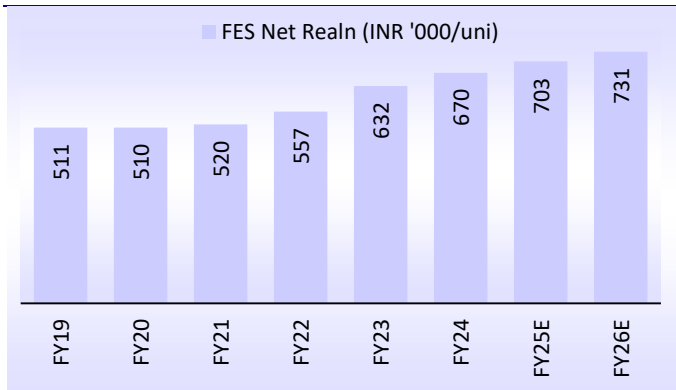
Source: Company, MOFSL

Exhibit 15: New product launches to drive UV sales



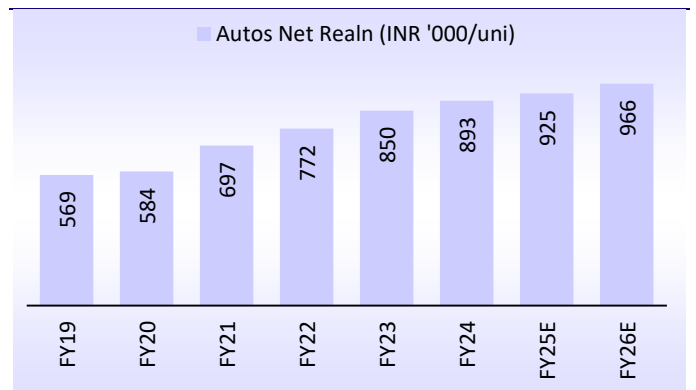
Source: Company, MOFSL

Exhibit 16: Trend in FES business realizations



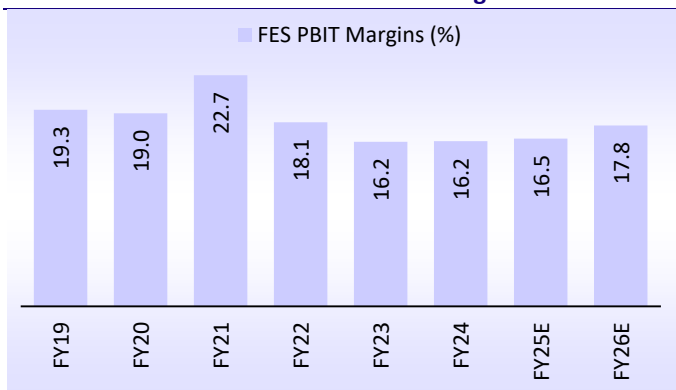
Source: Company, MOFSL

Exhibit 17: Trend in Auto business realizations



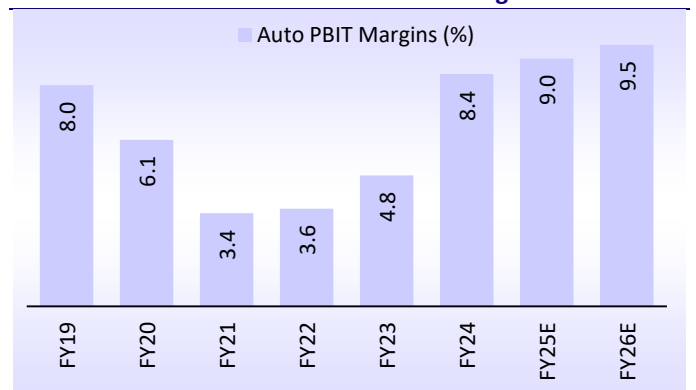
Source: Company, MOFSL

Exhibit 18: Trend in FES business PBIT margin



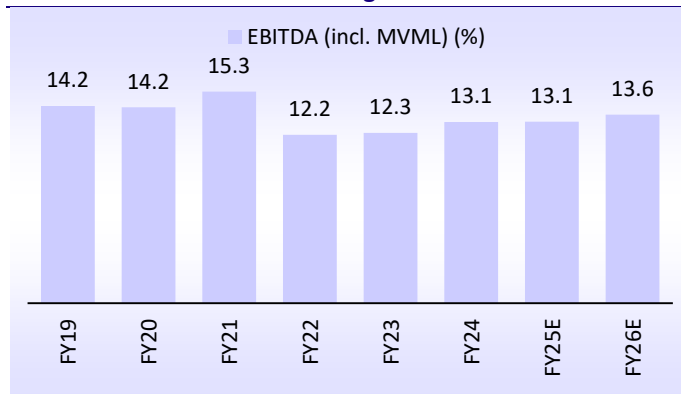
Source: Company, MOFSL

Exhibit 19: Trend in Auto business PBIT margin



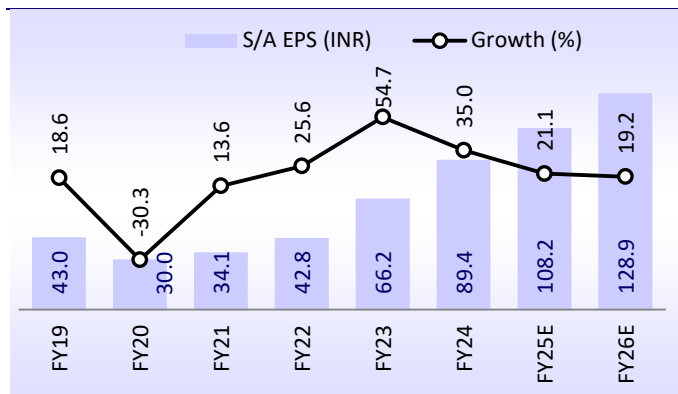
Source: Company, MOFSL

Exhibit 20: Trend in EBITDA margin



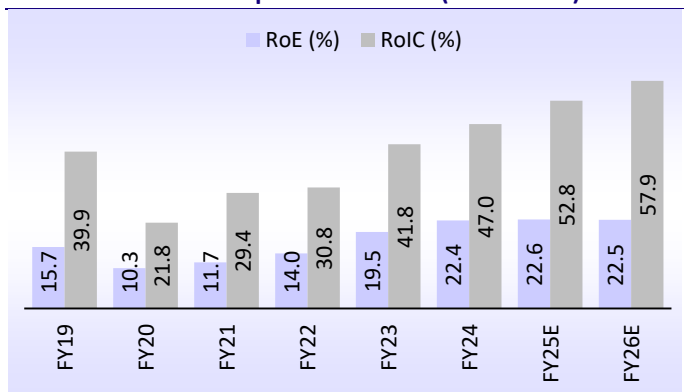
Source: Company, MOFSL

Exhibit 21: Trend in standalone EPS



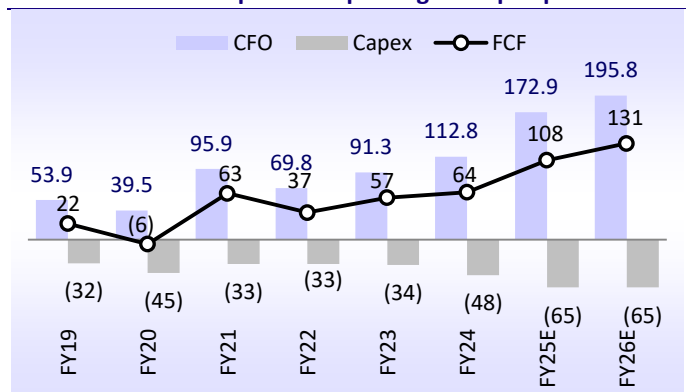
Source: Company, MOFSL

Exhibit 22: Trend in capital efficiencies (standalone)



Source: Company, MOFSL

Exhibit 23: FCF to improve despite higher capex plans



Source: Company, MOFSL

Exhibit 24: Change in borrowings

INR b	FY23	FY24	Change
Long-term borrowings	23.32	11.35	-11.97
Short-term borrowings	23.12	4.50	-18.62
Total	46.44	15.85	-30.59

Source: Company, MOFSL

Financials and valuations

S/A Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Op. Income	528.5	448.7	444.7	577.9	849.6	987.6	1,176.9	1,374.5
Change (%)	11.1	-15.1	-0.9	29.9	47.0	16.2	19.2	16.8
EBITDA	75.3	63.5	68.0	70.3	104.4	129.2	154.3	187.2
Margins (%)	14.2	14.2	15.3	12.2	12.3	13.1	13.1	13.6
Depreciation	20.0	23.6	23.7	25.0	31.5	34.4	36.3	40.4
EBIT	55.3	39.9	44.3	45.3	72.9	94.8	118.0	146.9
Int. & Finance Charges	1.5	1.2	4.0	2.3	2.7	1.4	1.3	1.1
Other Income	16.3	15.4	12.0	20.5	25.5	41.4	46.5	48.8
Non-recurring Income	3.7	-28.1	-29.3	-2.1	-14.3	0.0	0.0	0.0
Profit before Tax	73.8	25.9	23.0	61.5	81.3	134.8	163.2	194.5
Eff. Tax Rate (%)	26.8	71.5	57.3	20.8	19.5	20.5	20.5	20.5
Profit after Tax	54.0	7.4	9.8	48.7	65.5	107.2	129.7	154.6
Adj. Profit after Tax	51.3	35.8	40.7	51.2	79.3	107.2	129.7	154.6
Change (%)	18.7	-30.3	13.8	25.8	54.9	35.1	21.1	19.2

Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Sources of Funds								
Share Capital	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Reserves	344.0	340.3	343.5	376.0	427.6	516.8	618.4	742.0
Net Worth	349.9	346.3	349.5	382.0	433.6	522.8	624.4	748.0
Deferred tax	7.9	15.1	14.5	17.6	14.7	15.6	15.6	15.6
Loans	26.8	31.5	77.9	67.4	50.3	20.4	15.4	15.4
Capital Employed	384.6	392.9	441.9	467.0	498.5	558.7	655.3	778.9
Application of Funds								
Gross Fixed Assets	242.3	266.4	288.3	315.8	362.2	394.7	459.7	524.7
Less: Depreciation	123.7	145.9	168.2	166.7	192.4	219.4	255.7	296.1
Net Fixed Assets	118.5	120.5	120.1	149.0	169.8	175.3	204.0	228.6
Capital WIP	26.4	48.6	61.3	52.6	27.8	37.6	37.6	37.6
Investments	206.3	175.3	217.8	242.0	270.9	300.0	370.0	460.0
Curr.Assets, L & Adv.	197.9	173.8	216.5	222.4	289.3	325.3	369.5	420.5
Inventory	47.6	40.4	47.8	59.7	88.8	95.0	116.1	135.6
Inventory Days	32.9	32.9	39.3	37.7	38.2	35.1	36.0	36.0
Sundry Debtors	38.1	29.0	22.0	30.4	40.4	45.5	56.0	65.4
Debtor Days	26.3	23.6	18.1	19.2	17.4	16.8	17.4	17.4
Cash & Bank Bal.	38.3	42.4	64.0	36.5	44.8	55.3	58.8	67.4
Loans & Advances	8.6	6.5	19.3	49.3	51.8	71.5	80.6	94.1
Others	65.3	55.5	63.3	46.5	63.5	58.1	58.1	58.1
Current Liab. & Prov.	164.5	125.3	173.8	199.0	259.3	279.4	325.6	367.7
Sundry Creditors	103.6	72.0	106.4	129.7	171.5	185.9	225.7	263.6
Creditor Days	71.6	58.6	87.3	81.9	73.7	68.7	70.0	70.0
Other Liabilities	44.8	37.5	52.3	55.4	69.7	74.8	74.8	74.8
Provisions	16.2	15.8	15.1	13.9	18.1	18.7	25.1	29.3
Net Current Assets	33.4	48.5	42.7	23.3	30.0	45.9	43.9	52.8
Working Capital	-4.9	6.1	-21.3	-13.2	-14.8	-9.4	-14.9	-14.6
Application of Funds	384.6	392.9	441.9	467.0	498.5	558.7	655.3	778.9

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
Fully diluted EPS	43.0	30.0	34.1	42.8	66.2	89.4	108.2	128.9
FD EPS (incl MVML)	43.0	30.0	34.1	42.8	66.2	89.4	108.2	128.9
Cash EPS	59.9	49.8	53.9	63.7	92.5	118.0	138.5	162.6
Book Value per Share	293.7	290.3	292.5	319.2	361.9	435.9	520.7	623.7
DPS	8.5	2.4	8.8	11.5	16.3	21.1	23.5	26.0
Div. Payout (%)	21.8	44.0	106.2	28.2	29.6	23.5	21.6	20.1
Valuation (x)								
P/E	68.0	97.6	85.9	68.4	44.2	32.8	27.1	22.7
Cash P/E	48.9	58.8	54.3	46.0	31.6	24.8	21.1	18.0
EV/EBITDA	45.8	54.4	51.0	47.9	31.8	25.3	21.1	17.2
EV/Sales	6.5	7.7	7.8	5.8	3.9	3.3	2.8	2.3
Price to Book Value	10.0	10.1	10.0	9.2	8.1	6.7	5.6	4.7
Dividend Yield (%)	0.3	0.1	0.3	0.4	0.6	0.7	0.8	0.9
Profitability Ratios (%)								
RoE	15.7	10.3	11.7	14.0	19.5	22.4	22.6	22.5
RoCE	14.1	9.3	10.1	11.6	17.0	20.5	21.5	21.7
RoIC	39.9	21.8	29.4	30.8	41.8	47.0	52.8	57.9
Turnover Ratios								
Debtors (Days)	26.3	23.6	18.1	19.2	17.4	16.8	17.4	17.4
Inventory (Days)	32.9	32.9	39.3	37.7	38.2	35.1	36.0	36.0
Creditors (Days)	71.6	58.6	87.3	81.9	73.7	68.7	70.0	70.0
Core. Work. Cap (Days)	-12.3	-2.1	-30.0	-25.0	-18.1	-16.8	-16.6	-16.6
Asset Turnover (x)	1.4	1.1	1.0	1.2	1.7	1.8	1.8	1.8
Leverage Ratio								
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.4	-0.4	-0.5	-0.4	-0.4

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR b)								
OP/(Loss) before Tax	70.1	54.0	53.9	63.6	95.6	134.8	118.0	146.9
Int./Dividends Received	-12.3	-12.9	-9.5	-18.2	-20.5	-25.2	46.5	48.8
Depreciation & Amort.	20.0	23.6	23.7	25.0	31.5	34.4	36.3	40.4
Direct Taxes Paid	-17.0	-12.0	-11.4	-6.0	-19.4	-28.5	-33.5	-39.9
(Inc)/Dec in Wkg. Capital	-6.7	-15.0	35.9	3.9	3.9	8.7	5.5	-0.3
Other Items	-0.2	1.7	3.3	1.5	0.1	-11.4	0.0	0.0
CF from Oper. Activity	53.9	39.5	95.9	69.8	91.3	112.8	172.9	195.8
(Inc)/Dec in FA+CWIP	-32.2	-45.4	-33.1	-32.9	-34.3	-48.3	-65.0	-65.0
Free Cash Flow	21.8	-6.0	62.8	36.9	57.0	64.5	107.9	130.8
(Pur)/Sale of Invest.	4.4	16.4	-112.2	-6.7	-13.2	-3.5	-70.0	-90.0
CF from Inv. Activity	-27.7	-29.0	-145.6	-39.6	-47.5	-51.8	-135.0	-155.0
Change in Net Worth	0.0	0.0	0.0	0.0	0.1	0.0	0.0	-0.0
Inc/(Dec) in Debt	-5.2	3.9	42.7	-16.0	-19.8	-32.1	-5.0	0.0
Interest Paid	-2.0	-1.9	-4.6	-4.8	-3.8	-3.0	-1.3	-1.1
Dividends Paid	-10.3	-12.1	-2.9	-10.9	-14.4	-20.2	-28.2	-31.2
CF from Fin. Activity	-17.5	-10.1	35.1	-31.7	-37.8	-55.4	-34.5	-32.4
Inc/(Dec) in Cash	8.7	0.3	-14.6	-1.5	5.9	5.6	3.3	8.5
Add: Beginning Balance	14.2	22.9	23.2	8.7	7.2	13.1	18.7	22.2
Closing Balance	22.9	23.2	8.7	7.2	13.1	18.7	22.2	30.8

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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