

BUY

TP: Rs 3,689 | ▲ 22%

MAHINDRA & MAHINDRA | Automobiles

06 May 2025

Healthy performance all around; maintain BUY

- Automotive and tractor segment volume grew in double digits by ~16%/19% YoY; blended realisations gains ~7%/11% YoY/QoQ
- Auto EBIT margin up to 9.2% vs 8.8% YoY. FES market share at 41.2% (up 180 bps YoY), margins at 19.4% up from 16% YoY
- Maintain our earnings estimate and BUY rating, continue to value MM's core business at 24x 1YF P/E with unchanged TP of Rs 3,689

Volume aids double-digit top-line growth: In Q4 FY25, MM reported strong (SA) revenue growth of ~25%/3% YoY/QoQ, Rs 313.5 bn. This was driven by a blended volume growth of ~17% YoY to 341k vehicles, (7% QoQ decline). Net blended realisation per vehicle (NRPV) rose impressively by ~7% YoY and 11% QoQ to Rs 919.3k per vehicle, reflecting favourable product mix and pricing power.

Automotive segment continues healthy delivery: MM's Automotive business dominates revenue with 78.9% contribution in Q4FY25 (78.2% in Q4FY24). EBIT margin improved to 9.2% vs 8.8% YoY. The healthy contribution of the ICE segment, strong response to new launches like Thar Roxx, the 2 new EV launches and the LMM segment all contributed to the gains. The EV impact was ~1% on margins (overall EBITM excluding EV was ~10%).

FES gaining pace: At 41%, the tractor segment market share was up 180 bps YoY as volumes grew strongly by 20% YoY to 88k units. FES revenue share was stable at 20% YoY, with tractor margins at 19.4% up from 16% YoY. MM solidified leadership in tractors, with market share of 43.3% (+170 bps YoY) in FY25.

Product pipeline remains strong: For CY26, MM has outlined product launch to strengthen its position in the SUV, BEV, and LCV segments. Plans to introduce three SUVs, (two mid-cycle enhancements and one new model), with two BEVs and two LCVs (one ICE and one EV). The revised pipeline includes: 7 ICE SUVs, (5 new launches and 2 mid-cycle enhancements), 5 BEVs, reflecting a focused approach to EVs. MM plans 5 LCVs, (3 ICE models and 2 EVs), to cater to the CV demand.

Overall healthy performance continues; maintain BUY: We retain our earnings estimates for FY26e/FY27e, factoring in the healthy outlook from Automotive and FES segments, following healthy monsoons and a strong launch pipeline. We pencil in a 3Y EBITDA/PAT CAGR of 20%/17%. We value MM's core business at 24x 1-year P/E, a 10% premium to its long-term average (22x) resulting in an unchanged SOTP-based TP of Rs 3,689. This includes the value of subsidiaries of Rs347. We maintain our BUY rating (upside of 22%) and upward bias to our earnings estimates.

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Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MM IN/Rs 3,022
Market cap	US\$ 44.9bn
Free float	81%
3M ADV	US\$ 115.4mn
52wk high/low	Rs 3,271/Rs 2,160
Promoter/FPI/DII	19%/37%/29%

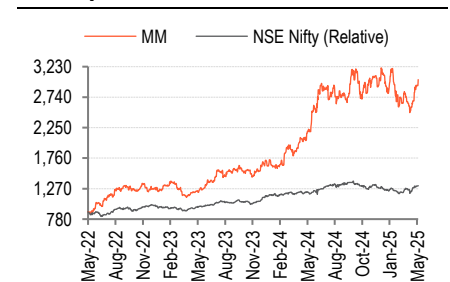
Source: NSE | Price as of 5 May 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	11,64,837	13,06,400	14,91,038
EBITDA (Rs mn)	1,62,747	1,93,888	2,22,525
Adj. net profit (Rs mn)	1,18,550	1,52,573	1,70,307
Adj. EPS (Rs)	98.9	127.3	142.1
Consensus EPS (Rs)	98.9	116.8	131.3
Adj. ROAE (%)	20.8	22.5	20.9
Adj. P/E (x)	30.5	23.7	21.3
EV/EBITDA (x)	22.8	18.9	16.7
Adj. EPS growth (%)	10.6	28.7	11.6

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q4FY25	Q3FY25	Our view
Market	<p>In Q4FY25, MM's SUV revenue share rose to 23.5%, increasing by 310 bps, (FY25 revenue share stood at 22.5% increasing by 210bps). LCV market share increased by 4.8% in Q4FY25 (added 2.9% share in FY25) while the industry had a -3% CAGR. LLM had a dominant market share at 42.9% with total sales of 108k units.</p> <p>On the farm side market share reached 41.2% up by 180 bps in Q4FY25 with volumes growing by 23% YoY to ~87k units, (FY25 market share at 43.3% up by 170 bps).</p>	<p>MM's SUV revenue market share is up 200bps YoY, LCV volume market share is up 230bps YoY, tractor market share is up 240bps YoY.</p> <p>On the farm side, some challenges faced in the international markets, yet gained a revenue growth of 12% YoY.</p>	<p>The continued revival in the LCV segment is very encouraging. Both the automotive and farm segments are looking at healthy volume delivery with strong launch pipeline.</p>
Order book	<p>Currently the BEV order book is skewed towards top variant Pack 3, which accounts for more than 75%. Pack 1 and 2 variants have low conversion from inquiries to bookings.</p> <p>The average waiting period based on current production rate and order backlog is 4 months.</p>	<p>No comments made with respect to order book.</p>	<p>The company's focus to bolster growth is a stated policy. The policy to revisit cancellations by adding new capacity will help to enhance monthly volume catering to the buoyant demand.</p>
Electric Vehicle	<p>MM has operationalized production capacity 5,000 BEVs per month out of the 7,500 capacities.</p> <p>On the PLI scheme the management has indicated that it is a calibrated decision to wait for XEV 9E to receive technical certification and then apply for the accrual.</p> <p>The management mentioned that the ICE portfolio has witnessed low levels of cannibalization from BEVs.</p>	<p>MM is all set to open bookings on 14th Feb'25 across 250 dealers. MM to charge a price applicable at the time of delivery which enables the company to pass on any sudden spike in input cost.</p> <p>EV margins to be lower than ICE initially, however overtime management expects EV margins to be in line with the ICE margins.</p> <p>Management indicated that the Production Linked Incentive will be recorded in Mahindra Electric Automobile Limited (MEAL) that is in the subsidiary company books.</p> <p>MM to consciously keep showrooms selling ICE and EV the same despite initial fears of cannibalization.</p>	<p>Efforts on expanding base a long-stated strategy. Availability of ICE and EV products in the same showroom will enable customer preference to be addressed under a single roof. Low levels of cannibalisation indicate new first time MM vehicle buyers.</p>
FES	<p>New products released namely Swaraj Target and Mahindra Oja addressed the gap in the <30hp tractor segment and aided in gaining the 5% market share.</p> <p>Domestically, South India and Maharashtra are expected to be regions of good growth and management expects to hold competitive advantage in the region. Chhattisgarh was significant outlier growing 35% over past 12-18 months.</p> <p>In the export markets, MM lost market share in Turkey due to early adoption of TREM V equivalent which increased prices compared to competitors. (will normalize as competition adapts to TREM V)</p> <p>In the US, overall market share rose to 8.5% driven by increase in <20hp tractor segment.</p>	<p>The highest-ever Q3 market share at 44.2%; volumes at 121k, up 20% YoY. MM observed a marginal slowdown in international subsidiaries largely due to economic factors in those respective countries. De-growth in the international markets was offset by the growth in the domestic markets.</p> <p>Management expects industry to grow at 15% and FY25 at 7% due to healthy reservoir levels, good levels of kharif crop levels and improving MSP..</p>	<p>Better monsoon predictions and further actual normal monsoons will help tractor demand locally. Further focus on 3-key global markets, including Turkey, USA and Brazil will help international volume.</p>
Margin	<p>Losses in the international farm operations to the tune of ~Rs 1 bn and write off of Category B business (MAM & Sampo) to the tune of Rs 6.5 bn impacted consolidated profitability.</p>	<p>Core organic profit performance was strong in Q3FY25; however, overall profitability was</p>	<p>Healthy execution bolster margins with a balancing act on volume growth, watch on commodity price inflation and</p>

Parameter	Q4FY25	Q3FY25	Our view
	Auto and FES PBIT margin stood at 9.5%/18.4% respectively increasing by 110 bps/210 bps and write offs of category B business was undertaken to curtail any further losses	impacted due to mark to market recognition (foreign currency impact). Price hike in YTD auto was 0.7%. PBIT for automotive at 9.7% and farm equipment to 18.1%.	pricing revisions. To hive off non-core business a short term hit but healthy long-term strategy.
All round focus, healthy balance sheet comes handy	Management has identified six scalable growth gems (Hospitality, Logistics, Real Estate, Susten, Lat Mile Mobility and Trucks & Buses) and aims to grow each of them to USD 2-3 bn. On 15th August MM has announced the unveil of their new platform Vision. There is capacity expansion of 1.2 L p.a. underway at Chakan for the new platform.	MM has completed its Tractor Inventory correction in Q3FY25 and does not require any correction further.	Strong balance sheet and healthy cashflows help MM add flexibility in bolstering market share and balancing margins.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	4QFY25	4QFY24	YoY (%)	Q3FY25	QoQ (%)	4QFY25E
Volume	3,41,046	2,91,109	17.2	3,67,273	(7.1)	3,41,046
Avg. Realisation per Vehicle	9,19,331	8,62,528	6.6	8,31,486	10.6	8,68,077
Net Revenues	3,13,534	2,51,090	24.9	3,05,382	2.7	2,96,054
Total Income (A)	3,13,534	2,51,090	24.9	3,05,382	2.7	2,96,054
Operating Expenses						
Raw materials consumed	2,32,299	1,84,462	25.9	2,27,268	2.2	2,20,560
Employee Expenses	12,686	11,112	14.2	12,850	(1.3)	13,322
Other Expenses	21,725	23,114	(6.0)	20,584	5.5	20,724
Total Expenditure (B)	2,66,709	2,18,689	22.0	2,60,701	2.3	2,54,607
EBITDA (A-B)	46,825	32,401	44.5	44,681	4.8	41,448
Other Income	7,678	5,474	40.3	6,901	11.3	6,101
Depreciation	13,058	9,770	33.6	10,451	24.9	10,514
EBIT	41,446	28,105	47.5	41,131	0.8	37,035
Finance Costs	810	387	109.5	614	31.9	635
PBT after excep items	40,636	27,718	46.6	40,517	0.3	36,400
Tax expense	9,079	6,123	48.3	10,036	(9.5)	8,918
Reported PAT	24,371	20,382	19.6	29,643	(17.8)	27,482
Adjusted PAT	31,557	21,595	46.1	30,481	3.5	27,482
EPS (Rs)	19.6	16.4	19.6	23.9	(17.8)	22.1
Key Ratios (%)			(bps)			(bps)
Gross Margin	25.9	26.5	(63)	25.6	33	25.5
EBITDA Margin	14.9	12.9	203	14.6	30	14.0
EBIT Margin	13.2	11.2	203	13.5	(25)	12.5
PBT Margin	13.0	11.0	192	13.3	(31)	12.3
Tax Rate	22.3	22.1	25	24.8	(243)	24.5
Adj PAT Margin	10.1	8.6	146	10.0	8	9.3

Source: Company, BOBCAPS Research

Valuation methodology

We retain our earnings estimates for FY26e/FY27e factoring in the healthy outlook from the Automotive and FES segments, following healthy monsoons and a strong launch pipeline. We pencil in a 3Y EBITDA/PAT CAGR of 20%/17%. We expect FES's revival to be stronger, and the automotive segment to maintain a strong momentum as a result of MM's focus on driving volumes and market share.

Despite a strong capex for automotive and FES, we believe MM's capital allocation policy continues to imply less debt stress that will result in balance sheet health and keep the return ratios moving at a good pace.

This is reflected in the recent SML ISUZU acquisition, which after due clearance, will lead to MM acquiring a 59% stake in SML at Rs650/share, at Rs5.55bn. Further, the open offer up to 26% additional stake in SML at R 1,554.6/share, will amounting to up to Rs 5.85bn. The current (FY25), MM Truck & Bus at 3% market share in >3.5T Commercial Vehicle (CV). Post-acquisition, combined market share with SML at 6%, is estimated to take MM at the No.4 OEM in >3.5T CV. Target market share is 10-12% market share by FY31 and over 20% market share by FY36. Additionally, the M&HCV segment is aimed at growing market share to 5%. Finally for the bus segment: SML's 16% market share in Light CV (LCV)/Integrated CV (ICV) buses, combined with M&M will reach 21% (strong presence in ILCV). We await all the clearances to factor the same in our FY26/FY27 estimates.

Additionally, the organic capacity expansion plans are the right measures to address market preferences, especially in the automotive segment and will help MM to maintain leadership in the SUV segment.

We continue to value MM's core business at 24x 1-year P/E, a 10% premium to its long-term average (22x), resulting in an unchanged SOTP-based TP of Rs 3,689. This includes value of subsidiaries of Rs347. We maintain BUY (upside of 22%) and upward bias to our earnings estimates.

Fig 3 – Key assumptions

Parameter	FY25P	FY26E	FY27E
Volume (units)	13,91,553	15,35,715	17,07,402
Revenue (Rs mn)	11,64,837	13,06,400	14,91,038
EBITDA (Rs mn)	1,62,747	1,93,888	2,22,525
EBITDA margin (%)	14.0	14.8	14.9
Adj. PAT (Rs mn)	1,18,550	1,52,573	1,70,307
EPS (Rs)	98.9	127.3	142.1

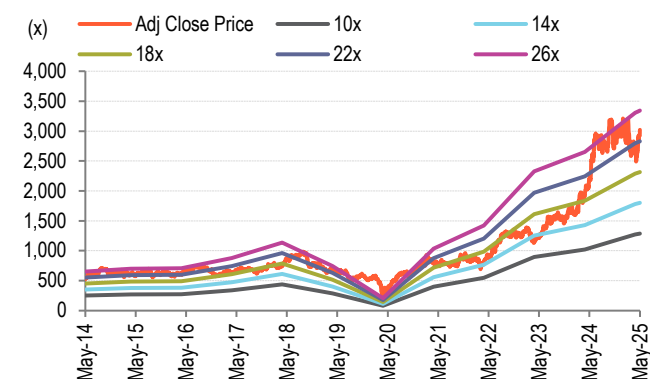
Source: Company, BOBCAPS Research

Fig 4 – Valuation summary

Business	Value (Rs/sh)	Valuation basis
Core Business	3,342	24x 1-year forward EPS
Subsidiaries	347	30% holding company discount
Total	3,689	-

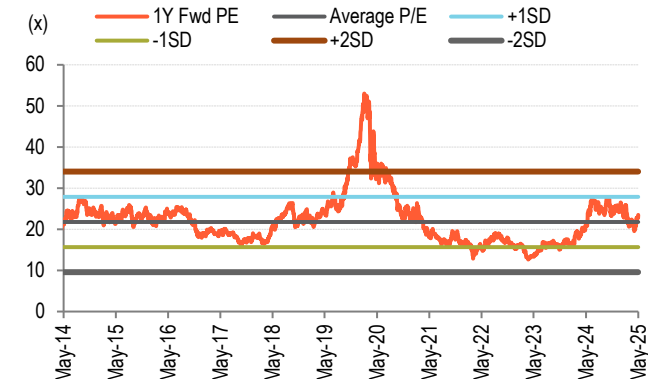
Source: BOBCAPS Research| Note: 1-year forward valuations

Fig 5 – P/E band: We continue to value MM at 24x 1-year forward core business EPS



Source: Company, Bloomberg, BOBCAPS Research

Fig 6 – P/E 1Y fwd MM will continue to trade at premium to its mean valuations



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- Accelerated launches by competitors in the high-end automotive segment
- Slower-than-expected recovery in the farm equipment segment
- Commodity inflation sustaining for longer than expected in the high-end segment.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	8,49,603	9,87,634	11,64,837	13,06,400	14,91,038
EBITDA	1,04,424	1,26,662	1,62,747	1,93,888	2,22,525
Depreciation	31,545	34,389	42,268	38,585	42,018
EBIT	98,331	1,36,217	1,59,006	1,95,070	2,20,170
Net interest inc./(exp.)	(2,728)	(1,388)	(2,505)	(2,549)	(2,803)
Other inc./(exp.)	25,452	43,944	38,527	39,767	39,664
Exceptional items	(14,295)	0	0	0	0
EBT	81,308	1,34,830	1,56,501	1,92,522	2,17,367
Income taxes	15,821	27,652	37,952	39,948	47,060
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	51,191	1,07,178	1,18,550	1,52,573	1,70,307
Adjustments	14,295	0	0	0	0
Adjusted net profit	65,486	1,07,178	1,18,550	1,52,573	1,70,307

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	1,81,336	1,99,990	2,37,160	2,71,235	3,09,361
Other current liabilities	59,797	60,729	87,342	48,688	62,752
Provisions	18,139	18,714	22,689	2,176	2,394
Debt funds	50,255	20,365	16,818	14,583	11,199
Other liabilities	0	0	0	0	0
Equity capital	5,991	5,996	6,004	5,996	5,996
Reserves & surplus	4,27,577	5,16,770	6,09,847	7,36,527	8,81,674
Shareholders' fund	4,33,567	5,22,766	6,15,851	7,42,524	8,87,670
Total liab. and equities	7,43,095	8,22,563	9,79,860	10,79,205	12,73,376
Cash and cash eq.	44,818	55,259	1,07,906	48,307	87,824
Accounts receivables	40,417	45,495	57,256	65,320	74,552
Inventories	88,814	95,048	1,03,333	1,37,172	1,52,831
Other current assets	1,15,271	1,29,520	1,37,755	2,09,024	2,38,566
Investments	2,70,871	2,99,954	3,54,680	3,95,098	4,87,786
Net fixed assets	1,88,106	1,94,378	1,98,549	2,19,964	2,27,945
CWIP	9,503	18,460	37,010	20,950	20,500
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(14,703)	(15,551)	(16,629)	(16,629)	(16,629)
Other assets	0	0	0	0	0
Total assets	7,43,095	8,22,563	9,79,860	10,79,205	12,73,376

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	74,304	90,834	1,59,263	10,578	1,67,832
Capital expenditures	(33,485)	(49,619)	(64,988)	(43,940)	(49,550)
Change in investments	(19,773)	(29,083)	(54,726)	(40,418)	(92,688)
Other investing cash flows	25,452	43,944	38,527	39,767	39,664
Cash flow from investing	(27,806)	(34,758)	(81,187)	(44,591)	(1,02,575)
Equities issued/Others	968	800	(787)	(8)	0
Debt raised/repaid	(17,080)	(29,891)	(3,547)	(2,235)	(3,384)
Interest expenses	(2,728)	(1,388)	(2,505)	(2,549)	(2,803)
Dividends paid	(19,469)	(25,160)	(25,160)	(25,160)	(25,160)
Other financing cash flows	8,963	7,229	1,560	(733)	0
Cash flow from financing	(29,347)	(48,410)	(30,438)	(30,684)	(31,347)
Chg in cash & cash eq.	17,152	7,666	47,637	(64,697)	33,911
Closing cash & cash eq.	44,818	55,259	1,07,906	48,307	87,824

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	54.7	89.5	98.9	127.3	142.1
Adjusted EPS	54.7	89.5	98.9	127.3	142.1
Dividend per share	16.3	21.0	21.0	21.0	21.0
Book value per share	361.9	436.3	514.0	619.8	740.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	4.4	3.8	3.2	2.8	2.5
EV/EBITDA	35.6	29.6	22.8	18.9	16.7
Adjusted P/E	55.3	33.8	30.5	23.7	21.3
P/BV	8.3	6.9	5.9	4.9	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	63.0	79.5	75.8	79.3	78.4
Interest burden (PBT/EBIT)	82.7	99.0	98.4	98.7	98.7
EBIT margin (EBIT/Revenue)	11.6	13.8	13.7	14.9	14.8
Asset turnover (Rev./Avg TA)	180.6	192.3	198.1	188.0	180.1
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.0	1.0	1.0
Adjusted ROAE	12.4	22.4	20.8	22.5	20.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	47.9	16.2	17.9	12.2	14.1
EBITDA	51.4	21.3	28.5	19.1	14.8
Adjusted EPS	37.6	63.7	10.6	28.7	11.6

Profitability & Return ratios (%)

EBITDA margin	12.3	12.8	14.0	14.8	14.9
EBIT margin	11.6	13.8	13.7	14.9	14.8
Adjusted profit margin	7.7	10.9	10.2	11.7	11.4
Adjusted ROAE	15.9	22.4	20.8	22.5	20.9
ROCE	16.9	21.0	20.4	22.2	20.8

Working capital days (days)

Receivables	15	16	16	17	17
Inventory	32	34	31	34	35
Payables	90	94	92	96	96

Ratios (x)

Gross asset turnover	0.5	0.4	0.4	0.4	0.4
Current ratio	1.1	1.2	1.2	1.4	1.5
Net interest coverage ratio	(36.0)	(98.2)	(63.5)	(76.5)	(78.5)
Adjusted debt/equity	0.1	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

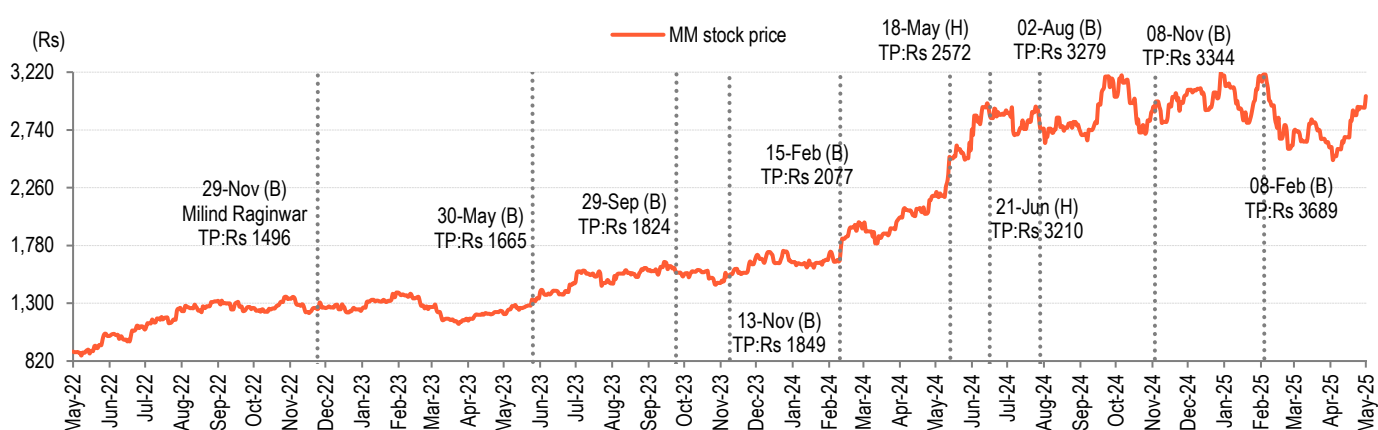
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): MAHINDRA & MAHINDRA (MM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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