ANANDRATHI

India I Equities

Auto

Initiating Coverage

15 May 2025

Mahindra & Mahindra

FY26 to be solid on market-share gains; initiating, with a Buy

Rating: **Buy**
Target Price: Rs.3,600
Share Price: Rs.3,105

Key data	MM IN / MAHM.BO
52-week high / low	Rs3,276 / 2,159
Sensex / Nifty	80293 / 24287
Market cap	Rs.3,709bn
Shares outstanding	1,243m

We are positive regarding Mahindra & Mahindra (M&M) due to its domestic market share gains across PVs, CVs and tractors. We expect volumes to grow at a 9% CAGR over FY25-27, driven by 12% in PVs (launches), 6% in tractors (on the favourable regional trend and launches), 6% in CVs (rising share of pick-ups) and 15% in exports (on the favourable base and launches). Realization growth would be notable at 8%, owing to a higher share of EV models (FY26e/27e mix at 8%/12%; value 2x higher than the average). We expect standalone + MEAL's revenue to grow by a strong 18% CAGR over FY25-27. We, thus, initiate coverage on the stock with a Buy rating, and a sum-of-parts TP of Rs3,600.

Poise for breathtaking launches. The company plans to launch seven ICE SUVs (incl. two model upgrades), five BEVs and five LCVs (three ICE and two EVs) up till FY30. For CY26, it plans to launch one ICE SUV (7-seater), two ICE SUV upgrades, two BEV, one ICE LCV and one EV LCV. Thus, on average, around one ICE SUV, BEV and LCV per year until FY30. **We believe company's stratergy of differentiated and superior features to help drive success ahead.**

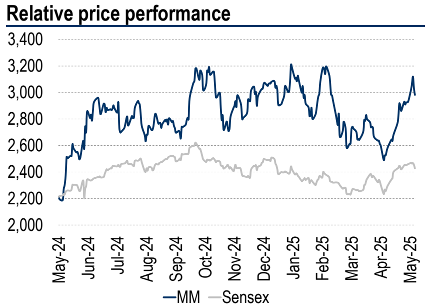
Mahindra Electric Automobile (MEAL) - Feature-rich EVs to drive growth. We expect healthy Born EV model volumes at 50,000 units in FY26 and at 80,000 in FY27. Thus, domestically, **MEAL to contribute 8%/12% of M&M's PV volumes; 17%/22% of PV revenue.**

Stable profitability (incl. MEAL). Near-term margins would slightly taper due to lower profits for MEAL + eSUV. **We expect stable EBIT/EBITDA margins at 14.7%/13.4% in FY27, similar to FY25 levels.**

Valuation, View. We expect strong revenue/EBIT CAGRs of 18%/17% over FY25-27 and PAT/core PAT of 19%/21% for standalone + MEAL. We initiate with a Buy rating and a sum-of-parts TP of Rs3,600, 26x FY27e core EPS (Rs3,010) for standalone + MEAL and Rs590 for investments. **Our picks are Escorts and Maruti, followed by M&M, considering the risk return trade-off. Key risks.** Slower-than-expected domestic industry volume trends; keener competition; adverse commodity prices/forex rates.

Shareholding pattern (%)	Mar'25	Dec'24	Sept'24
Promoters	18.5	18.5	18.5
- of which, Pledged	-	-	-
Free float	81.6	81.5	81.5
- Foreign institutions	36.0	38.9	41.2
- Domestic institutions	29.3	29.2	27.0
- Public	16.2	13.4	13.3

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs bn)	850	991	1,165	1,431	1,610
Net profit (Rs bn)	65	106	119	145	165
EPS (Rs)	62.5	85.6	95.4	116.8	132.7
PE (x)	49.7	36.3	32.6	26.6	23.4
EV / EBITDA (x)	36.1	28.4	21.2	17.8	15.3
PBV (x)	8.9	7.4	6.3	5.3	4.6
RoE (%)	19.1	22.3	20.8	21.7	21.0
RoCE (%)	15.3	19.3	19.7	20.1	19.4
Dividend yield (%)	0.5	0.7	0.8	1.0	1.1
Net debt / equity (x)	-0.2	-0.2	-0.4	-0.4	-0.4

Source: Company, Anand Rathi Research

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Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Volumes (m units)	**1,106**	**1,143**	**1,257**	**1,394**	**1,502**
Net revenues	**850**	**991**	**1,165**	**1,431**	**1,610**
Growth (%)	*47.0*	*16.6*	*17.5*	*22.8*	*12.5*
Raw material	646	740	863	1,064	1,197
Employee & other exp.	100	120	130	166	184
EBITDA	104	131	171	202	230
EBITDA margins (%)	*12.3*	*13.3*	*14.7*	*14.1*	*14.3*
- Depreciation	32	35	42	48	53
Other income	25	39	30	37	41
Interest Exp	3	1	3	2	3
PBT	108	135	157	189	214
Effective tax rates (%)	19	21	24	23	23
Adjusted income	**78**	**106**	**119**	**145**	**165**
Extraordinary item	12				
Net Income	65	106	119	145	165
WANS	1,243	1,243	1,243	1,243	1,243
FDEPS (Rs)	**62.5**	**85.6**	**95.4**	**116.8**	**132.7**
Growth (%)	46.1	37.0	11.4	22.5	13.7
Core PAT	61.6	90.0	100.3	125.5	143.8
Core EPS (Rs)	**49.6**	**72.4**	**80.7**	**101.0**	**115.6**
Growth (%)	*64.0*	*46.1*	*11.4*	*25.1*	*14.5*

Fig 2 – Balance sheet (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	6	6	6	6	6
Net worth	434	523	616	724	847
Debt (incl. Pref)	50	21	17	36	35
Minority interest					
DTL / (Assets)	15	16	17	17	17
Capital employed	**499**	**559**	**649**	**777**	**899**
Net tangible assets	170	178	197	214	225
CWIP (tang. & intang.)	28	38	39	39	39
Investments (strategic)	175	207	224	274	324
Investments (financial)	95	85	131	206	281
Current assets (excl. cash)	245	273	298	367	412
Cash	45	57	108	96	86
Current liabilities	259	278	347	418	469
Working capital	-15	-5	-49	-52	-56
Capital deployed	**499**	**559**	**649**	**777**	**899**
Contingent liabilities	-	-	-	-	-

Fig 3 – Cash-flow statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
PBT	**96**	**135**	**157**	**189**	**214**
+ Non-cash items	14	13	15	50	56
Oper. profit before WC changes	110	148	172	238	271
- Incr. / (decr.) in WC	-4	-9	-26	4	.5
Others incl. taxes	23	42	31	43	49
Operating cash-flow	**91**	**115**	**166**	**191**	**221**
- Capex (tangible + intangible)	34	48	46	65	65
Free cash-flow	**57**	**66**	**120**	**126**	**156**
- Div. (incl. buyback & taxes)	14	20	26	30	37
+ Equity raised					
+ Debt raised	-20	-32	-6	19	-1
- Financial investments	13	5	92	125	125
- Misc. items (CFI + CFF)	1	-3	-56	2	3
Net cash-flow	**8**	**12**	**51**	**-12**	**-10**

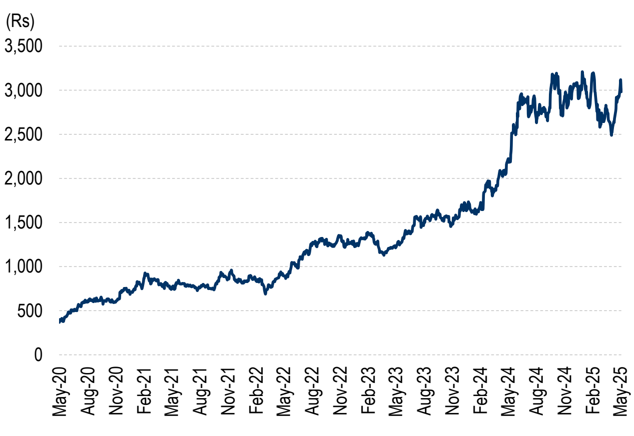
. Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	49.7	36.3	32.6	26.6	23.4
Core P/E (x)	50.8	34.8	31.2	25.0	21.8
EV / EBITDA (x)	36.1	28.4	21.2	17.8	15.3
EV / Sales (x)	4.4	3.8	3.1	2.5	2.2
P/B (x)	8.9	7.4	6.3	5.3	4.6
RoE (%)	19.1	22.3	20.8	21.7	21.0
RoCE (%) - after tax	15.3	19.3	19.7	20.1	19.4
RoIC (%) - after tax	31.2	38.8	51.0	56.3	57.4
DPS (Rs)	16.3	21.0	25.3	31.0	35.2
Dividend yield (%)	0.5	0.7	0.8	1.0	1.1
Dividend payout (%)	25.1	23.7	25.6	25.6	25.6
Net debt / equity (x)	-0.2	-0.2	-0.4	-0.4	-0.4
Receivables (days)	17	17	18	18	18
Inventory (days)	38	36	32	32	32
Payables (days)	97	90	95	92	91
CFO:PAT (%)	117	108	140	132	134

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – MEAL + standalone financials

	FY25	FY26e	FY27e	CAGR FY25-27e (%)
Revenue	1,166,337	1,439,052	1,622,204	18
EBITDA	171,326	205,481	238,895	18
%	14.7	14.3	14.7	
EBIT	157,296	185,751	217,167	18
%	13.5	12.9	13.4	
PAT	**116,840**	**140,262**	**165,011**	**19**
Core PAT	**98,626**	**120,592**	**143,767**	**21**
Core EPS	79.3	97.0	115.6	21

Source: Company, Anand Rathi Research

Investment rationale

Solid FY26 topline performance likely. We expect M&M's volumes to grow at 11% in FY26, driven by 14% in PVs, 8% in tractors, 6% in CVs and 21% in exports. We expect the company to outperform the industry (PVs 5%, tractors 6% and CVs 4%), led by new PV models (Thar Roxx, Born EVs), growing industry share of pick-ups in LCV (Bolero pick-up) and the favourable regional trend (south to outperform)/new launches (OJA, Target and Naya Swaraj) in tractors. Growth in exports would be driven by the favourable base and a better portfolio (Born EVs, OJA). Realization growth would be a notable 13% in FY26, owing to a higher share of EV models (FY26e mix of 8%; value over Rs2m, 2x higher than the average). **We expect strong, 23%, revenue growth in FY26.**

FY27 revenue growth to normalize at 13% (7% in volumes) on the high base (FY26) for PVs and tractors. Growth to be driven by 10% in PVs, 7% in CVs and 5% in tractors. We expect M&M to continue to slightly outperform the industry (PVs 5%, tractors 5% and CVs 6%). **We expect a robust, 18% revenue CAGR over FY25-27 to Rs1,610bn, led by 9% volumes and 8% realization.**

Mahindra Electric Automobile (EV PV subsidiary) - Feature-rich EVs to drive growth. We expect healthy Born EV model volumes at 50,000 units in FY26 (BE 6 and XEV 9e) and 80,000 units (two new EV models in CY26) in FY27. MEAL would contribute 8%/12% of M&M's domestic PV volumes and 17%/22% of domestic PV revenue. MEAL contract manufactures from standalone (current plants); hence, a part of profits (conversion margins) would be captured in standalone as well.

Stable Standalone + MEAL profitability. We expect strong revenue/EBIT CAGRs of 18%/17% over FY25-27 to Rs1,622bn/Rs216bn. **PAT/core PAT are expected to grow at 19%/21% CAGRs over FY25-27 to Rs165bn/Rs144bn.** Near-term margins would slightly taper due to lower profitability in MEAL + eSUV (EBIT margins are expected -2%/+5% in FY26/27), owing to higher initial ramp-up cost and lower margins for EVs (however, per unit is expected to be similar to blended automotive EBIT of ~Rs100,000/unit). **We expect EBIT/EBITDA margins to be stable at 14.7%/13.4% in FY27, similar to FY25 levels.**

Robust free cashflows. We expect robust free cashflows of Rs90bn/year (including MEAL capex) and Rs141bn (standalone) over FY25-27. Capex is expected at Rs65bn/year for standalone and Rs50bn/year for MEAL towards plant capacity expansion and new products. Net cash is expected to increase from Rs222bn in FY25 to Rs332bn in FY27. RoE/RoCE (post-tax) are expected to be healthy at >21%/19% over FY25-27.

Fig 7 – Capex spends expected at Rs190bn and investments at Rs180bn (MEAL, others) for FY25-27

STANDALONE M&M + MEAL + LMM Co

	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)*	

- M&M Board has approved an investment of 12K cr. in MEAL to fund our EV journey over the next 3 years
- M&M and Auto division expect to generate sufficient operating cash to satisfy our capital investment needs
- Therefore, M&M and BII have mutually agreed to extend the timeframe for the final tranche of BII's planned investment of 725 cr., and will jointly assess whether additional investment is required by Dec 31, 2024
- BII has invested 1,200 cr. and Temasek has invested 300 cr. so far in MEAL. Temasek will invest balance 900 cr. per agreed timelines

Source: Company

Auto

	FY25–27 (Rs bn)
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

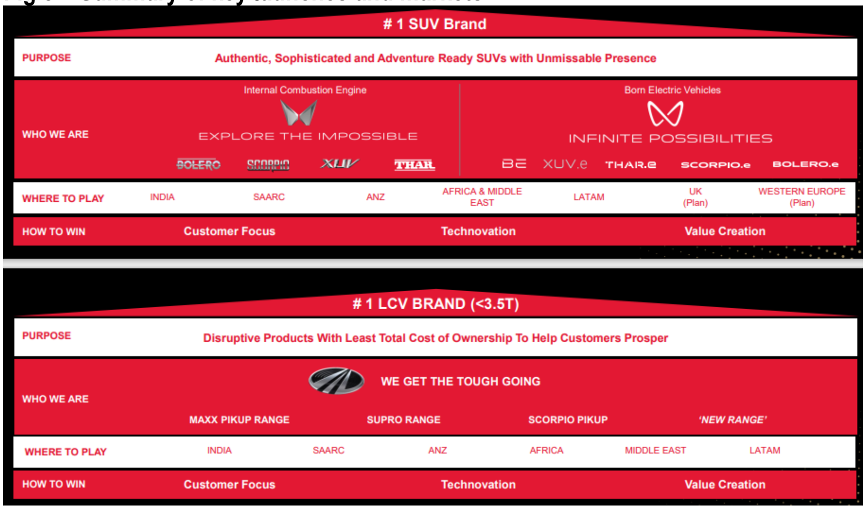
Farm

FARM	FY25–27 (Rs bn)
New Product	28
Capacity	7
Regulatory & Sustenance*	15
Total Farm investment plan	**50**

Source: Company

Poise for breathtaking launches. The company plans to launch seven ICE SUVs (including two model upgrades) and five BEVs until FY30. On an average around one ICE SUV and BEV each year until FY30. In CY26, it plans to launch one ICE SUV (7-seater), two ICE SUV upgrades and two BEV. It is also unveiling a new platform for future products with planned capacity of 120,000 units p.a. in Chakan. It plans to launch five LCVs (three ICE and two EVs) until FY30. On an average, around one LCV per year until FY30. For CY26, it plans to launch one ICE LCV and one EV LCV. **We believe company's stratergy of differentiated and superior features to help drive success ahead.**

Fig 8 – Summary of key launches and markets



Source: Company

Fig 9 – PV capacity expansion to support upcoming launches and indicates a positive outlook for growth. Near-term Thar Roxx capacity addition to aid volumes.

Auto: Capacity planning

Per Month Capacity	F20 Exit Capacity	F23 Exit Capacity	F24 Exit Capacity	F25 Exit Capacity	F26 Exit Capacity	F27 Exit Capacity
SUVs Capacity	19K	39K	49K	54K	57K	67K
BEV Capacity				7.5K (5K Operationalised)	12K (8K Operationalised)	18K
Total Capacity	**19K**	**39K**	**49K**	**61.5K**	**69K**	**85K**

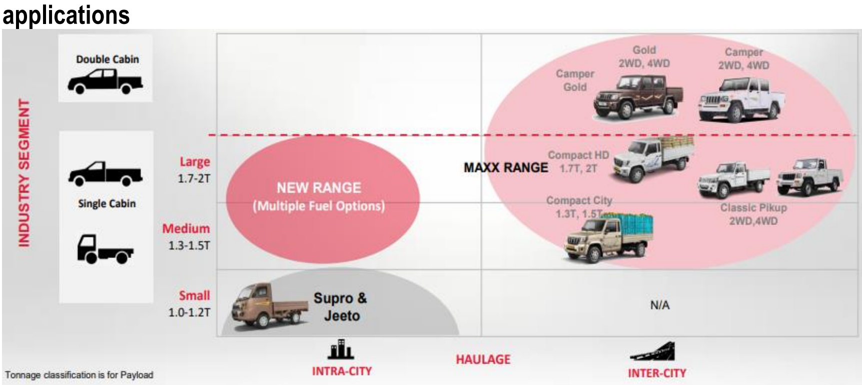
Source: Company:

Notes: Capacity increase for XUV3XO and Thar Roxx in F26: 3K

New Platform capacity being created in Chakan: 1.2 lakh units p.a.

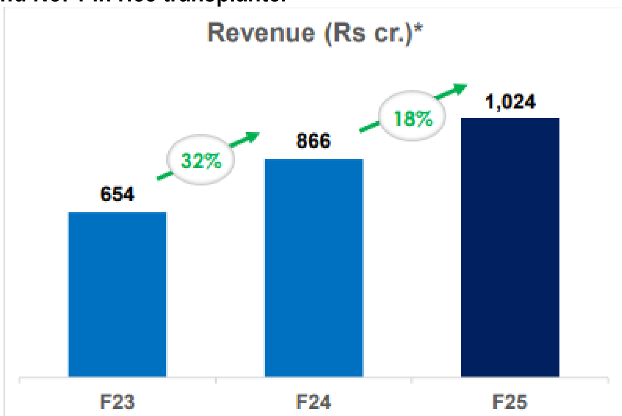
Greenfield Plant planned for F28 and beyond

Fig 10 – SCV portfolio expansion to target higher tonnage for intra-city applications



Source: Company

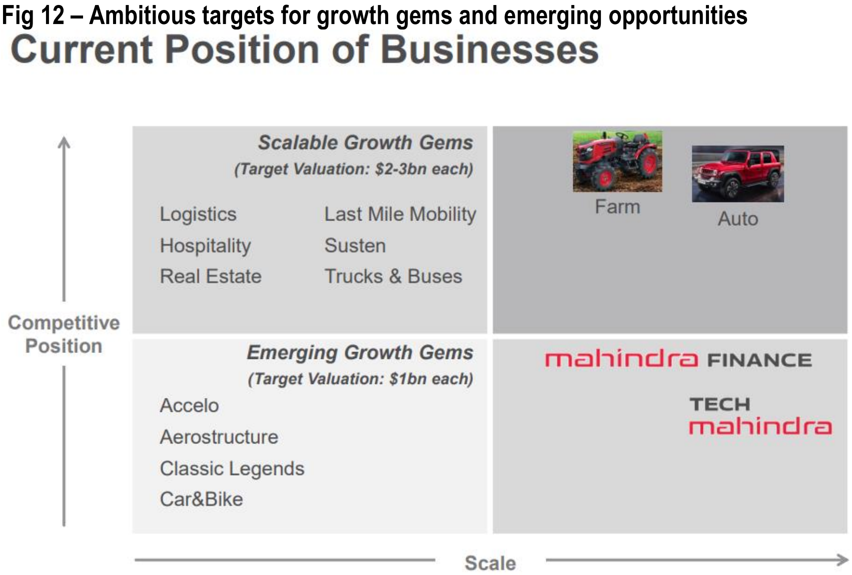
Fig 11 – Farm machinery. Quantum growth expected ahead. No. 2 in Rotavators (20% MS) and No. 1 in rice transplanter



Source: Company

Growth gems. We have factored growth gems and other investments' (excluding Tech Mahindra and M&M Financials) value at Rs259bn in our SOTP. Strong targets for six scalable growth gems provide an upside potential ahead.

Fig 12 – Ambitious targets for growth gems and emerging opportunities



Source: Company

Fig 13 – FY30 ambitious targets

Targets for growth gems	FY25	FY30
Hospitality - rooms inventory	5,800	2-3x
Logistics revenue (Rs bn)	61	3x
Real Estate residential pre-sales (Rs bn)	28	100
Susten - asset portfolio (GWp)	1.5	7
Last Mile Mobility EV volumes	78,000	2-3x
Trucks & Buses market share	3%	10-12%

Source: Company

Overseas automotive/farm subsidiaries. FY25 EBIT loss stood at Rs3.46bn in automotive and Rs4.37bn in farm equipment due to ramp-up of new businesses in autos (MEAL – Born EV; LMM – 3W EV) and weak global tractor/farm machinery markets like Turkey/North

America/Japan/Europe. Losses to gradually reduce with better scale of new businesses and turnaround in global farm markets.

Fig 14 – Commitments and key targets over the medium term for farm and auto segments

Farm segment commitments
Build a **domestic** fortress
Scale **farm machinery** exponentially
Significantly grow **international** business
Pioneering **technology** leadership
Leverage **partnerships**

Auto segment commitments
Propel **ICE SUVs** with cutting edge products: #1 in Revenue MS
Pioneering a new era with category creating **E-SUVs**
Build **CV** Moat. Maintain strong leadership in LCV <3.5T
Go **Global**: Scale international operations revenue
Customer Obsessed **Brands**: #1 in Brand Power

Source: Company

Key assumptions

Fig 15 – Standalone key assumptions

	FY22	FY23	FY24	FY25	FY26e	FY27e	CAGR FY25-27 (%)
Volumes (units)							
Domestic tractors	337,052	389,531	364,526	407,094	439,662	461,645	**6**
Y/Y %	*(2.0)*	*15.6*	*(6.4)*	*11.7*	*8.0*	*5.0*	
Domestic PVs	225,895	359,253	459,877	551,487	630,343	691,690	**12**
Y/Y %	*43.7*	*59.0*	*28.0*	*19.9*	*14.3*	*9.7*	
Domestic CVs	177,117	248,576	259,624	247,265	261,965	280,232	**6**
Y/Y %	*13.4*	*40.3*	*4.4*	*(4.8)*	*5.9*	*7.0*	
Domestic 3Ws	30,079	58,520	20,305				
Y/Y %	*78.0*	*94.6*	*(65.3)*				
Total Domestic	**770,143**	**1,055,880**	**1,104,332**	**1,205,846**	**1,331,969**	**1,433,567**	**9**
Y/Y %	*14.2*	*37.1*	*4.6*	*9.2*	*10.5*	*7.6*	
Exports	50,156	50,121	38,364	51,249	61,780	67,958	**15**
Y/Y %	*72.9*	*(0.1)*	*(23.5)*	*33.6*	*20.5*	*10.0*	
Total Volumes	**820,299**	**1,106,001**	**1,142,696**	**1,257,095**	**1,393,749**	**1,501,525**	**9**
Y/Y %	*16.7*	*34.8*	*3.3*	*10.0*	*10.9*	*7.7*	
Realizations (Rs/unit)	**704,462**	**768,175**	**867,227**	**926,610**	**1,026,728**	**1,072,539**	**8**
Y/Y %	*11.0*	*9.0*	*12.9*	*6.8*	*10.8*	*4.5*	
Revenues (Rs bn)	**578**	**850**	**991**	**1,165**	**1,431**	**1,610**	**18**
Y/Y %	*29.5*	*47.0*	*16.6*	*17.5*	*22.8*	*12.5*	
EBITDA (Rs bn)	**70**	**104**	**131**	**171**	**202**	**230**	**16**
Y/Y %	*1.0*	*48.6*	*25.9*	*30.3*	*17.9*	*13.9*	
Core PAT (Rs bn)	**38**	**62**	**90**	**100**	**126**	**144**	**20**
Y/Y %	*7.1*	*64.0*	*46.1*	*11.4*	*25.1*	*14.5*	

Source: Company, Anand Rathi research

Fig 16 – PV domestic model-wise assumptions

Volumes	FY22	FY23	FY24	FY25	FY26e	FY27e	CAGR FY25-27 (%)
PCs	**59**	**214**					
Vibe							
Verito	59	214					
UVs	**223,682**	**356,961**	**459,864**	**551,487**	**630,343**	**691,690**	**12%**
Bolero/Neo	65,473	100,577	110,841	94,750	90,013	92,713	-1%
Thar	37,844	47,108	65,246	46,244	39,307	40,487	-6%
Roxx				38,590	96,475	99,369	60%
XUV5OO/XUV7OO	29,262	66,473	79,398	93,082	83,774	86,287	-4%
Scorpio	38,696	76,935	141,462	164,842	164,842	169,787	1%
Xylo							
Nuvosport							
Rexton/Alturas	392	446					
TUV300	0	0					
KUV100	63	3					
Quanto							
Marazzo	1,692	2,249	718	166	166	166	0%
XUV3OO/3XO/4OO	50,260	63,170	62,199	105,766	105,766	107,881	1%
Born EV				**8,047**	**50,000**	**80,000**	**215%**
SUV (7 seater) CY26 launch						**15,000**	
Vans	**2,154**	**2,078**	**13**				
Maxximo/ Jeeto	0						
Supro	2,154	2,078	13				
Gio							
Domestic PVs	**225,895**	**359,253**	**459,877**	**551,487**	**630,343**	**691,690**	**12%**

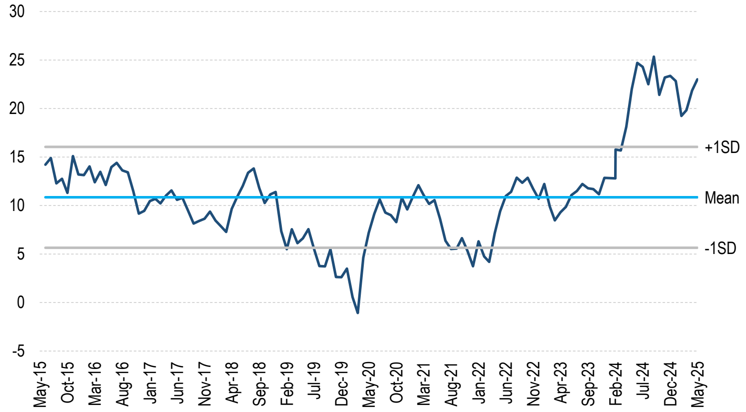
Source: Company, Anand Rathi Research

Fig 17 – MEAL/eSUV/MEAL + standalone financials

MEAL	FY25	FY26e	FY27e	CAGR FY25-27e (%)
Revenue	21,960	123,050	179,760	186
EBITDA	100	3,692	8,988	848
%	0.5	3.0	5.0	
EBIT	(1,710)	(4,922)	-	
%	(7.8)	(4.0)	-	
eSUV contract manufacturing (part of standalone)				
Revenue	20,460	115,000	168,000	187
EBITDA	110	3,450	8,400	774
%	0.5	3.0	5.0	
EBIT	60	3,076	8,089	1,061
%	0.3	2.5	4.5	
MEAL + eSUV				
Revenue	21,960	123,050	179,760	186
EBITDA	210	7,142	17,388	810
%	1.0	5.8	9.7	
EBIT	(1,650)	(1,846)	8,089	
%	(7.5)	(1.5)	4.5	
MEAL+Standalone	**FY25**	**FY26e**	**FY27e**	**CAGR FY25-27e (%)**
Revenue	1,166,337	1,439,052	1,622,204	18
EBITDA	171,326	205,481	238,895	18
%	14.7	14.3	14.7	
EBIT	157,296	185,751	217,167	18
%	13.5	12.9	13.4	
PAT	**116,840**	**140,262**	**165,011**	**19**
Core PAT	**98,626**	**120,592**	**143,767**	**21**
Core EPS	79.3	97.0	115.6	21

Source: Company, Anand Rathi research

Fig 18 – Valuation. M&M core P/E – 1 year forward (Median: 11x) – Stock has seen rerating led by exits from unprofitable subsidiaries and market-share gains



Source: Company, Anand Rathi research. Note: Excluded value of key subsidiaries – Tech Mahindra, M&M Financial, Mahindra Life, Mahindra Holidays, Ssangyong, CIE India, Swaraj Engines, Mahindra EPS and Others (5% of CMP).

Fig 19 – SOTP – Our TP is Rs3,600

Components (Rs bn)	Basis of Valuation	Mar'27E Implied P/E (x)	Equity value	M&M stake (%)	Pro-rata value	Hold-co discount (%)	Contr. To SOTP	SOTP (Rs/share)	SOTP breakdown (%)
Standalone + MEAL business		**26**	**3,007**		**3,007**		**3,007**	**3,007**	**84**
Tech Mahindra	Mcap		1,507	25.3	382	20	305	246	7
M&M Financial Services	TP		392	52.2	204	20	163	131	4
Other Subs/investments	Current m-cap/ investment value						259	209	6
Total							**3,963**	**3,592**	**100**
Total (Rounded off)								**3,600**	

Source: Company, Anand Rathi Research

Fig 20 – Core multiple of 26x for standalone + MEAL (working)

FY27e (Standalone + MEAL)	PV	CV	Tractors	Others	Total
Revenues (Rs bn)	1,014	246	353	(3)	**1,610**
EBIT (Rs bn)	97	24	67	(10)	**177**
Below EBIT (Rs bn)	18	4	12	(2)	33
PAT (Rs bn)	79	19	54	(8)	**144**
share (%)	*55*	*13*	*38*	*(6)*	
Multiple (x)	**30**	**15**	**24**	**23**	
Value (Rs bn)	2,365	287	1,302	(194)	**3,760**
Total Mcap (Rs bn)				**3,760**	
Value (Rs/share)	**1,902**	**231**	**1,047**	**(156)**	**3,024**
share (%)	*63*	*8*	*35*	*(5)*	
Total (Rs/share)				**3,024**	
Implied P/E				***26***	

Source: Company, Anand Rathi research. Note: Assumed same EBIT margin for PV and CV. Below EBIT divided on proportionate basis

Fig 21 – We expect higher revenue growth in FY26/27 than the consensus, mainly due to higher PV assumptions

(Rs m)	FY26e			FY27e		
	AR Estimates	Consensus	% variance	AR Estimates	Consensus	% variance
Revenues	1,431,002	1,348,374	6.1	1,610,444	1,509,857	6.7
EBITDA	201,790	195,364	3.3	229,907	218,890	5.0
Adj net income	145,184	138,932	4.5	165,011	156,220	5.6

Source: Bloomberg, Anand Rathi research.

Valuation, View

We expect **volumes** to grow at a 9% CAGR over FY25-27, driven by 12% in PVs (launches), 6% in tractors (on the favourable regional trend and launches), 6% in CVs (increasing share of pick-ups) and 15% in exports (on the favourable base and launches). Realization growth to be notable at 8%, owing to a higher share of EV models (FY26e/27e mix of 8%/12%; value 2x higher than the average). We expect standalone + MEAL's revenue to grow by a strong 18% CAGR over FY25-27.

Poise for breathtaking launches. The company plans to launch seven ICE SUVs (including two model upgrades), five BEVs and five LCVs (three ICE and two EVs) up till FY30. For CY26, it plans to launch one ICE SUV (7-seater), two ICE SUV upgrades, two BEV, one ICE LCV and one EV LCV. On average, around one ICE SUV, BEV and LCV per year until FY30. **We believe company's stratergy of differentiated and superior features to help drive success ahead.**

Free cashflows robust. We expect robust free cashflows of Rs90bn/year (including MEAL capex) and Rs141bn (standalone) over FY25-27. Capex is expected at Rs65bn/year (standalone) and Rs50bn/year for MEAL towards plant capacity expansion and new products. Net cash is expected to increase from Rs222bn in FY25 to Rs332bn in FY27. RoE/RoCE (post-tax) are expected to be healthy at >21%/19% over FY25-27.

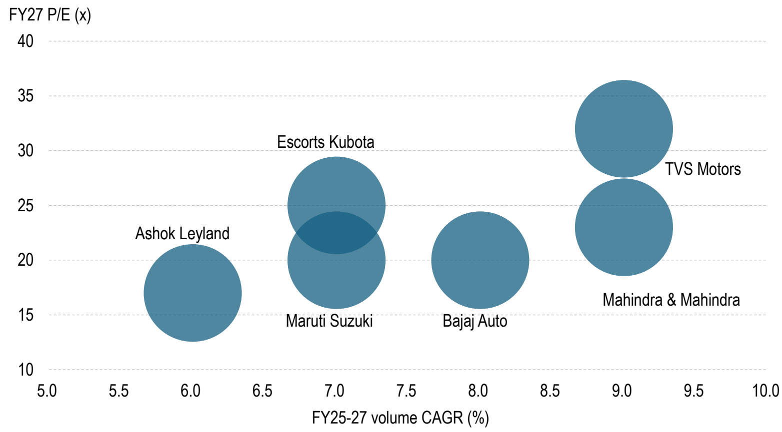
Valuation, View. We expect strong revenue/EBIT CAGRs of 18%/17% over FY25-27 and PAT/core PAT of 19%/21% for standalone + MEAL. **We initiate coverage on the stock with a Buy rating, and a sum-of-parts TP of Rs3,600, 26x FY27e core EPS (Rs3,010) for standalone + MEAL and Rs590 for investments.**

Key risks

- Slower-than-expected **domestic industry** volume trends.
- Keener **competition**.
- Adverse **commodity** prices/**forex** rates.
- **Gradual EV penetration.** M&M future product expansion in PV segment is focussed more towards EV portfolio expansion. Slower market for EVs could limit growth for its EV volumes.
- **Capital allocation discipline.** M&M is expected to generate strong free cash flows of Rs90bn/ year. It is important to see the future allocation of the capital towards growth. Considering the diverse segments of the group, company may look to expand into new businesses ahead. Key would be balance investment strategy.
- **Losses in overseas subsidiaries.** Overseas auto and farm subsidiaries sustenance or increase of losses could impact the stock valuation multiple ahead. FY25 EBIT losses at Rs7.8bn.

Peer comparison

Fig 22 – M&M's volume growth to outpace most peers among OEMs and has potential of further re-rating ahead



Source: Anand Rathi research.

Fig 23 – Auto and Auto Ancillary valuation summary

Company	Rating	CMP (Rs)	Target (Rs)	Mcap (Rs bn)	FY26 Target P/E	FY26 Target EV/EBITDA	FY26 Target P/BV	P/E FY25e	P/E FY26e	P/E FY27e	EV/EBITDA FY25e	EV/EBITDA FY26e	EV/EBITDA FY27e	P/B FY25e	P/B FY26e	P/B FY27e
Maruti Suzuki	Buy	12,672	13,350	3,984	24	17	4	29	23	20	19	16	14	4	4	3
Mahindra & Mahindra	**Buy**	**3,105**	**3,600**	**3,860**	**27**	**18**	**5**	**33**	**27**	**23**	**21**	**18**	**15**	**6**	**5**	**5**
Bajaj Auto	Buy	8,102	10,000	2,263	28	22	10	28	23	20	20	17	15	9	8	8
TVS Motor Company	Buy	2,728	3,100	1,296	42	27	14	48	37	32	29	24	21	13	12	9
Ashok Leyland	Buy	234	260	688	22	14	7	23	20	17	14	12	11	7	6	5
MRF	Hold	141,036	165,000	598	29	14	3	33	25	21	14	11	10	3	3	3
UNO Minda	Hold	985	1,125	565	54	29	9	58	47	39	31	25	22	10	8	7
Balkrishna Industries	Hold	2,735	3,400	528	31	19	6	32	25	22	19	15	13	5	4	4
Escorts Kubota	Buy	3,524	3,900	394	34	28	3	35	31	25	31	25	20	4	3	3
Exide Industries	Sell	383	330	325	21	12	2	30	25	22	17	14	13	2	2	2
Endurance Technologies	Hold	2,194	2,600	308	36	19	6	38	30	25	20	16	14	5	5	4
Apollo Tyres	Buy	475	580	301	17	8	2	20	14	12	8	7	6	2	2	2
ZF Commercial Vehicle	Buy	13,242	15,700	251	53	36	8	53	45	38	36	30	25	8	7	6
SKF India	Hold	4,253	4,350	210	34	27	6	43	34	29	34	26	22	7	6	6
Amara Raja Energy & Mobility	Hold	1,013	1,490	185	21	13	3	19	15	13	11	9	8	2	2	2
Ceat	Hold	3,897	3,800	158	20	9	3	31	21	17	12	10	8	4	3	3
Craftsman Automation	Hold	5,335	5,000	127	33	12	3	58	35	21	18	13	10	4	4	3
Gabriel India	Buy	639	660	92	33	20	7	37	32	27	23	19	16	8	7	6
Sansera Engineering	Buy	1,229	1,600	76	30	15	3	34	23	19	14	12	10	3	2	2
MM Forgings	Buy	353	720	17	19	12	3	11	9	8	8	7	6	2	2	1
Mean				**812**	**31**	**19**	**5**	**38**	**31**	**27**	**20**	**16**	**14**	**5**	**5**	**4**
Median				**317**	**30**	**18**	**4**	**32**	**25**	**22**	**19**	**16**	**13**	**5**	**4**	**4**
High				**3,984**	**54**	**36**	**14**	**58**	**47**	**39**	**36**	**30**	**25**	**13**	**12**	**9**
Low				**17**	**17**	**8**	**1.8**	**11**	**9**	**8**	**8**	**7**	**6**	**2**	**2**	**1**

Source: Company, Anand Rathi Research

Appendix

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