

Price: 2,613

Recommendation: Buy

Industry: Passenger Cars Utility

Sector: Consumer Discretionary

Report Date: 03-Apr-2025

Mahindra & Mahindra Ltd. is driving growth through strategic initiatives in its Auto and Farm sectors, reporting a 16% and 20% volume increase, respectively. The company is expanding its electric vehicle lineup and forming strategic partnerships to enhance market leadership. With a focus on innovation and diversification, Mahindra aims to maintain its SUV market dominance and capitalize on favorable conditions in the Farm sector, despite challenges in international markets and logistics.

Sales		Profit & Loss		Profitability Matrix	
Current Year	112450 Cr	Operating Profit (Year)	17624 Cr	Operating Profit Margin	15.7 %
Previous Year	86645 Cr	Operating Profit (Quarter)	4810 Cr	EBITDA Margin	15.17 %
Current Quarter	30964 Cr	PAT (Year)	10718 Cr	Net Profit Margin	10.6 %
Previous Quarter	28919 Cr	PAT (Quarter)	2964 Cr	EPS	91.8
Revenue (QYoY)	25737 Cr				
Valuation Matrix		Growth (YoY)		Growth (QoQ)	
Trailing P/E	28.4	Sales Growth	14.1 %	Sales Growth	7.07 %
PEG Ratio	1.64	PAT Growth	40.03 %	Sales Growth QYoY	20.31 %
EV/EBITDA	16.7	EPS Growth	6.5 %	PAT Growth	-22.83 %
P/B	5.77	Dividend Yield	0.81	PAT Growth QYoY	19.04 %
Capital Allocation		Holdings		Leverage	
RoE	22.4 %	Promoter	18.5 %	Debt/Equity	0.03
RoA	13.4 %	FII	38.9 %	Debt	1594 Cr
RoCE	26.5 %	DII	29.2 %	Market Cap	324878 Cr
RoIC	57.7 %	Public	9.66 %	Enterprise value	317972 Cr
		No of Shares	124 Cr	Cash Equivalents	8500 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Mahindra & Mahindra Ltd. highlighted several new initiatives and business strategies aimed at sustaining growth and enhancing market leadership. The company reported consistent growth and margin momentum in its Auto and Farm sectors, with Auto volume increasing by 16% and Farm volume by 20%. The Auto sector achieved a 23% revenue market share in SUVs, marking a 200 basis points increase, while the Farm sector reached a 44.2% market share, up by 240 basis points. The company emphasized its focus on margin expansion, with Auto PBIT margin improving by 120 basis points to 9.7% and Farm PBIT margin by 260 basis points to 18.1%. "Turnaround businesses are on track," the company stated, with Tech Mahindra's EBIT rising by 480 basis points to 10.2% and Mahindra Finance's PAT increasing by 47%.

Mahindra & Mahindra is actively pursuing diversification through new electric vehicle (EV) launches and strategic partnerships. The company announced two new battery electric vehicle (BEV) launches, aiming to capitalize on its market leadership in the SUV segment. Additionally, the company is expanding its presence in the logistics sector through a large quick-commerce partnership, despite challenges in express services. The hospitality sector also showed momentum, with an 84% occupancy rate and a 37% increase in average unit realization. In real estate, Mahindra made its largest-ever land acquisition, with a gross development value of 12,000 crore, indicating a robust pipeline for future launches.

Looking ahead, Mahindra & Mahindra is optimistic about its growth and scaling prospects. The company is targeting a 5X challenge to achieve its full potential, leveraging its market leadership in key sectors. The Farm sector is expected to benefit from favorable terms of trade and strong reservoir levels, with the tractor industry projected to grow by over 15% in the next quarter. The Auto sector is set to maintain its leadership in the SUV market, with plans to introduce electric SUVs that are "objects of desire," featuring head-turning designs and high-tech features. The company is also focusing on seamless charging infrastructure and democratizing game-changing features to enhance customer experience.

While the company has demonstrated strong performance, there are areas for improvement. The international business in the Farm sector faces challenges, and the express logistics segment requires service and cost improvements. Additionally, while BEV products are expected to have similar net vehicle margins as internal combustion engine products on a matured basis, the percentage terms will be lower due to a higher denominator. The company acknowledges these challenges and is committed to addressing them through strategic initiatives and operational excellence. Overall, Mahindra & Mahindra's strategic focus on innovation, diversification, and market leadership positions it well for future growth.

M&M Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Hindustan Motors	505.56	15.61	16.74%	-25.32%	-56.93%	-31.28%	-70.23%
Maruti Suzuki	367476.84	25.26	16.84%	3.51%	15.67%	20.13%	16.22%
M & M	324878.13	28.38	22.41%	7.07%	20.31%	-22.82%	19.06%
Hyundai Motor I	134361.91	22.54	39.58%	-3.76%	-2.10%	-15.97%	-19.31%
Mercury EV-Tech	1142.88	173.12	3.05%	82.75%	677.29%	167.50%	707.55%

Aspect	Commentary
Revenue	The company shows robust revenue growth with a significant increase from the previous year and quarter, indicating strong market demand and effective sales strategies. This growth is supported by strategic initiatives in key sectors, enhancing overall financial health and market position.
Profit & Loss	The profit and loss statement reflects a healthy operating profit and PAT, demonstrating efficient cost management and revenue generation. The company's ability to maintain profitability amidst market challenges highlights its operational resilience and strategic focus on core business areas.
Profitability Matrix	Profitability metrics indicate strong operational efficiency with healthy margins. The company's focus on margin expansion is evident, contributing to sustainable financial performance. This positions the company well for future growth and competitive advantage in its industry.
Valuation Matrix	Valuation metrics suggest the company is valued fairly with a reasonable P/E ratio and PEG ratio, indicating growth potential. The EV/EBITDA and P/B ratios reflect investor confidence and the company's ability to generate returns, supporting its market valuation.
Growth (YoY)	Year-over-year growth metrics show impressive sales and PAT growth, reflecting successful strategic initiatives and market expansion. The company's ability to achieve such growth rates underscores its competitive positioning and effective management practices.
Growth (QoQ)	Quarter-over-quarter growth metrics reveal consistent sales growth, though PAT shows a decline, indicating potential short-term challenges. However, the overall growth trajectory remains positive, driven by strategic market initiatives and sectoral focus.
Capital Allocation	Capital allocation metrics highlight strong returns on equity, assets, and capital employed, indicating efficient use of resources. The company's strategic focus on high-return investments supports its long-term growth objectives and shareholder value creation.
Holdings	The holdings structure shows a balanced mix of promoter, FII, and DII ownership, reflecting diversified investor confidence. The public holding is relatively low, suggesting strong institutional interest and stability in the company's shareholder base.
Leverage	Leverage metrics indicate a low debt-to-equity ratio, reflecting prudent financial management and a strong balance sheet. The company's ability to maintain low leverage while achieving growth highlights its financial stability and risk management capabilities.

Analyst viewpoint: Mahindra & Mahindra Ltd. has consistently demonstrated robust growth across key metrics, driving our bullish sentiment for its short to mid-term prospects. The company posted a commendable 7.07% QoQ sales growth, significantly supported by strategic initiatives in its Auto and Farm sectors. Notably, the Auto segment achieved a substantial market share increase, with a 23% revenue stake in SUVs and impressive improvements of 120 basis points in Auto PBIT margins. The Farm sector mirrored this performance, expanding its market share and PBIT margins, reflecting strong operational capabilities. Valuation metrics such as a trailing P/E of 28.4 and a PEG ratio of 1.64 underscore the company's growth potential while maintaining investor confidence through sound capital allocation strategies with an RoE of 22.4%.

Additionally, Mahindra & Mahindra's strategic focus on electric vehicles and new market partnerships aligns well with emerging industry trends, indicating an inclination towards sustainable growth and diversification. These initiatives are reinforced by a strong balance sheet, evident from low leverage levels, and increased shareholder value through strategic land acquisitions. Despite the positive outlook and momentum, the company's international business faces logistical challenges, and slight improvements in service and cost efficiencies are needed in the express logistics segment. However, Mahindra & Mahindra's strategic focus and operational resilience strongly position it for continued success in enhancing shareholder value and market leadership.

Please read detailed disclosure on next page.

