

**New launches will drive the growth**

**CMP: INR 1,261**

**Rating: Hold**

**Target Price: INR 1,391**

**Stock Info**

BSE	500520
NSE	M&M
Bloomberg	MM IN
Reuters	MAHM.BO
Sector	Auto- Cars & Jeeps
Face Value (INR)	5
Equity Capital (INR mn)	5985
Mkt Cap (INR mn)	15,67,168
52w H/L (INR)	1366/671
Avg Yearly Vol (in 000')	3,549

**Shareholding Pattern %**

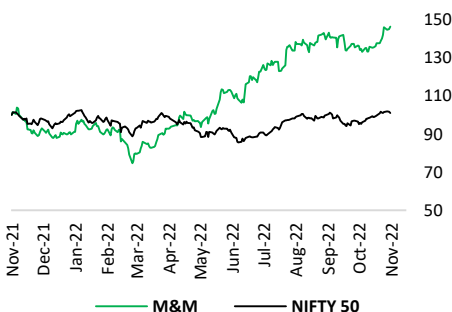
(As on Sept, 2022)

Promoters	19.38
FII	38.27
DII	28.50
Others	13.80

**Stock Performance (%)** 1m 3m 12m

M&M	2.96	1.55	38.95
Nifty	8.04	3.91	2.66

**M&M Vs Nifty**



Abhishek Jain  
abhishek.jain@arihantcapital.com  
022 67114851

Jyoti Singh  
jyoti.singh@arihantcapital.com  
022 67114834

**We interacted with the management of Mahindra & Mahindra on 25<sup>th</sup> November 2022**

- **Price:** The company took a 1-2% price hike in November. Discounts on selected products during the festive season INR 10k-20k. The company is not giving any discount on XUV700 and Scorpio. While minimal discount on Thar.
- **Capex:** Farm equipment investment of INR 3400 Cr for FY22-24.
- **Restructuring:** The company has no plan at this point to look into the merger but will see once the business is profitable and keep looking for that.
- **Tractor:** The company is expecting an EBIT margin between the 17%-20% range.
- **Automotive ICE:** The company expects to double the capacity in ICE segments. The company plans to expand its overall SUV capacity to 39k/month by 4QFY23 and to 49k/month in 4QFY24 (up from 29k/month in 4QFY22).
- **EV:** Born Electric will be the excellent growth driver for the company; The company has 5 products in the pipeline (Electric C-SUV is expected to be launched in Jan FY23)
- **Tractor Growth:** The company expects tractor growth CAGR of 6-7% going forward.
- **RM:** The company expects margin improvement as RM cost benefit started coming full from Q4FY23 onwards.
- **Technology:** The company is focusing on the better technologies side. The company has Yuvo Tech+ with 12.3% of H1F23 volumes and Mitsubishi Electric.
- **Competition:** Escorts Kubota is already a competition for M&M. The company is competing with Kubota in the US market. Eicher (Tafe) is Number 2 against Swaraj.
- **Exports:** The company's exports are at 5-7% and are going to increase going forward.
- **EPS:** The company will do a 15% to 20% growth in EPS for the next five years.

**Outlook and valuation**

Going ahead, we are expecting growth in the agriculture segment led by the sizable presence in the tractor segment and robust product pipeline. Also expects margin improvement on a lower commodity cost ahead. We expect margins in the range of 12.8%-13.6% for FY23E-FY25E. Electric C-SUV is expected to be launched in Jan FY23. **We have a Hold rating on the stock with a SOTP-based target price of INR 1,391 per share.**

INR in Mn (Standalone)	FY22	FY23E	FY24E	FY25E
Revenue	574,460	723,055	918,055	1,106,898
EBITDA	70,423	92,854	122,447	150,069
EBITDA margin(%)	12.3%	12.8%	13.3%	13.6%
PAT	51,439	71,790	96,219	119,558
EPS (in INR)	43.0	60.0	80.4	99.9
PE(x)	29.3	21.0	15.7	12.6
EV/EBITDA (X)	17.4	13.0	9.5	7.3
ROE(%)	13.9%	17.2%	19.8%	20.8%

Source: Company, Arihant Research

## Arihant Research Desk

Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880