

**CMP: INR 3,193**

**Rating: Accumulate**

**Target Price: INR 3,651**

**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)	6000
Mkt Cap (INR mn)	39,73,136
52w H/L (INR)	3,221/1,475

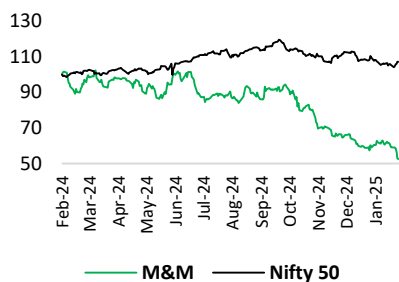
**Shareholding Pattern %**

(As on Dec, 2024)

Promoters	18.54
Public and others	81.46

Stock Performance (%)	1m	3m	12m
M&M	3.6	24.9	81.7
Nifty	21.6	12.1	21.6

**M&M Vs Nifty**



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Mahindra & Mahindra (M&M) reported standalone revenue stood at INR 305,382 Mn, above our estimate of INR 305,000 Mn registering a growth 12.9% YoY/10.8% QoQ. EBITDA stood at INR 43,843 Mn, above our estimate of INR 42,500 Mn, Registering a growth of 9%YoY/ +12.3%QoQ. On the margins front, the EBITDA margin is down 5bps YoY/ 2bps QoQ to 14.4%, above with our estimate of 13.9% led by Automotive and Farm businesses. Standalone PAT de-grew by 22.8% QoQ/ +13.5% YoY to INR 29,643 Mn above our estimate of INR 29,300 Mn. Income from investments related to subsidiaries, includes dividend received from subsidiaries, associates and JV of INR 3720.3 Mn. PAT decline QoQ due to higher other income in last quarter due to onetime gain also higher depreciation Mahindra & Mahindra Limited is incorporating a wholly owned subsidiary named Mahindra Advanced Technologies Limited focusing on security solutions. Cash consideration of INR INR 50 Mn

**Investment Rationale**

**Strong Rural Momentum Drives Positive Outlook for Tractor Sales:** Swaraj has progressed successfully, addressing past product gaps effectively. <20-30 hp segment was strengthened with Target, while other horsepower gaps were also filled. Product strategy improvements over the last four years have contributed to market share growth, with a 5bps gain in the 20 to 30 horsepower segment and 3.5% in the below <30hp category. Initiatives like Biotech Kisan have performed well, and positive growth is emerging in the South and West markets. Inventory corrections for Mahindra brand tractors are nearly complete, minimizing the need for further adjustments in Q4FY25.

**Strong traction in Automotive segments:** SUV volumes grew 20%, while LCVs saw a 7% rise, leading to market share gains. The <3.5-ton category had low single-digit growth, but market share still increased. Revenue share continues to rise, maintaining the #2 spot in volume share despite higher prices. In last-mile mobility, the top position remains, with EV 3W penetration hitting 25%, up from 9% recently. Auto revenue grew 21%, PBIT rose 31%, and standalone margins reached 9.7%, up 1.2 points.

**Conversion cost includes manufacturing costs + margin on product division:** Expenses paid by Mahindra Electric. Two key transactions happen between M&M & Mahindra Electric, a separate legal entity. In contract mfg., M&M buys materials, converts products & sells to Mahindra Electric, earning margins only on conversion costs. This high-value transaction impacts standalone margins, so EV contract mfg. figures will be shown separately for clarity. Also, bond electric end-to-end margins will be reported separately, showing contract mfg. charges, Mahindra Electric's EBITDA/PBIT & total margins. These changes will reflect in Q4 results.

**Outlook and valuation**

The company posted strong numbers in Q3FY25, driven by the Automotive and Farm businesses. M&M regained the top position in the SUV category, with its revenue market share increasing to 23% from 21.9% in Q2FY25, an increase of 11 bps in Q3FY25. Revenue will start reflecting in Q4FY25, and financial tables will be published accordingly. The company will focus on EV bookings starting from February 14<sup>th</sup> 2025. It expects the industry to grow by over 15% in Q4, resulting in an FY25 growth of over 7%. EV margins will be lower than those of ICE vehicles due to the denominator impact. Positive growth has been observed in the South and West markets in India, reversing a long-term decline. However, **we maintain our Accumulate rating on the stock with a revised SOTP-based target price of INR 3,651 per share.**

## Exhibit 2: Quarterly results summary Q3FY25

INR Mn	Q3FY25	Q2FY25	Q3FY24	QoQ %	YoY %
<b>Net Sales</b>	305,382	275,533	270,388	10.8%	12.9%
Cost of material consumed	227,268	204,440	199,394	11.2%	14.0%
Staff Cost	12,850	11,526	11,753	11.5%	9.3%
Other expenses	21,422	20,525	19,018	4.4%	12.6%
Total expenses	261,540	236,491	230,166	10.6%	13.6%
<b>EBITDA</b>	43,843	39,042	40,222	12.3%	9.0%
Depreciation	10,451	9,614	9,146	8.7%	14.3%
EBIT	33,392	29,428	31,076	13.5%	7.5%
Interest	614	551	529	11.4%	16.1%
Other Income	6,901	20,433	3,515	-66.2%	96.3%
Profit before exceptional items and tax	39,679	49,310	34,062	-19.5%	16.5%
Extraordinary	-	-	-		
<b>Profit/(loss) before tax</b>	39,679	49,310	34,062	-19.5%	16.5%
Tax	(10,036)	(10,901)	(7,936)	-7.9%	26.5%
<b>Reported PAT</b>	29,643.1	38,408.8	26,126.3	-22.8%	13.5%
EPS	24.70	32.01	21.78	-22.8%	13.4%

Margins	Q3FY25	Q2FY25	Q3FY24	QoQ %	YoY %
Gross margins	25.6%	25.8%	26.26%	-2bps	-7bps
EBITDA	14.4%	14.2%	14.9%	2bps	-5bps
PAT	9.7%	13.9%	9.7%	-42bps	0bps
Tax Rate	-25.3%	-22.1%	-23.3%	-32bps	-20bps
Tractor Segment	Q3FY25	Q2FY25	Q3FY24	QoQ %	YoY %
Total Tractors Volume	118,091	89,306	116,930	32.2%	1.0%
Total Automotive Volume	245,499	224,711	211,550	9.3%	16.0%
Total Volume (Auto + Farm)	367,273	318,093	333,017	15.5%	10.3%
Aveg Relizations (Auto)	388,907	352,324	785,678	10.4%	-50.5%
Aveg Relizations (FES)	428,479	525,074	613,797	-18.4%	-30.2%
Blended realisation	416,809	420,425	739,080	-0.9%	-43.6%

Source: Arianth Research, Company Filings

## **Mahindra & Mahindra (M&M)-Q3FY25**

Revenue will start reflecting in Q4FY25, and financial tables will be published accordingly. Focus on lifestyle product bookings, starting from February 14. Expects the industry to grow by over 15% in Q4, which would result in a FY25 growth of over 7%. EV margins will be lower than ICE vehicles due to denominator impact.

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Price hikes: 0.7% in December and 0.8% in January FY25.

MMFSL: Provision release in line with end-loss trend.

Tech Mahindra: Key new deal wins in Telecom. Green shoots in BFSI and Healthcare. Margin recovery from prior-year one-time impacts.

Logistics: Secured a large quick-commerce partnership. Challenges persist in express and service segments, with a focus on cost improvements.

Hospitality: Occupancy at 84%, flat vs. PY despite an expanded inventory base. Average unit realization increased by 37%. Strong momentum in inventory expansion.

Mahindra Life: Largest-ever land acquisition—INR 12,000 cr GDV (Bhandup). Healthy collections growth. On track for planned launches. Consistent EPS growth: INR 76.1 in FY24 and INR 86 in FY25.

Farm: Market leadership at 44.2% (+240 bps YoY). Revenue growth of INR 767 crore, up 20% YoY over the last couple of years. PBIT at 29% consolidated, with a slowdown in international subsidiaries. Core domestic business improved by 2.65% YoY. One-time impact of 0.7% due to World Cup sponsorship in Q3 FY24.

Tractor industry expected to grow by >15% in Q4. Strong reservoir levels at 64% of live capacity (16% above LPA). Smooth progress in Rabi sowing (103% of the Rabi area sown). Record Kharif food grain production, up 5% YoY. MSP hike of 5-7% YoY for key Rabi crops like Wheat and Mustard. Favorable terms of trade.

Last Mile: L53 electrification at 24.9% in Q3 FY25. Received PLI incentive approval, F24 disbursement of INR 104 cr. PM eDrive scheme continued with lower subsidies effective November 8.

Auto PBIT% impact due to eSUV contract manufacturing for MEAL. BEV products on a per-vehicle revenue basis may have similar NVM as ICE products, but as a percentage, it will always be lower due to a higher denominator.

Impact of KG Mobility observed in Q3FY25.

Real-world EV range >500 km in city conditions, requiring charging only twice a month. Pricing will be adjusted based on external events.

Tractor market: Swaraj performing well with <30 hp per segment over the last 1-1.5 years. Farm division (Oja segment) gained 5bps. Positive growth in South and west market in India, reversing a long-term decline. Mahindra tractors undergoing inventory correction. MS increasing in key segments.

Taxation: Positive momentum due to business growth and potential tax rate cuts, with some short-term blips.

New product launches & cost management: Standalone marketing spend reflected in consolidated expenses (8.3% increase). Manpower and other costs increased.

A large quick commerce partnership was mentioned in the context of Growth Gem, logistics

Production & exports: De-bottlenecking in 3XO capacity from 9,000 units. Diesel & gasoline demand at 80% utilization, looking to increase by a few thousand units. Strong demand from South Africa, with 700 units per month. High demand for the 3-door model, with a long waiting list. BMS software integration within Mahindra mills. Auto exports at 18% of total.

First-time buyers: Typically market-load operators, 40-60% in the <2-ton category. No significant financing issues for first-time buyers.

The category penetration of EV in the total 3w market is close to 25%.

Exhibit 3: SOTP Valuation

Listed Subsidiary	Valuation Basis	CMP	M&M stake	% Stake	Mcap (INR Mn)	Value/share
Tech Mahindra Limited		1,690	248,022,598	25.5	419,158	349
Mahindra & Mahindra Financial Services		298	644,399,987	52.2	191,709	160
Mahindra Holidays & Resorts		346	134,835,922	67.0	46,653	39
Mahindra Lifespace Developers		393	79,319,550	51.3	31,173	26
Mahindra EPC Irrigation		140	15,144,433	54.3	2,118	2
Swaraj Engines		3,189	6,331,141	34.8	20,190	17
Mahindra Logistics Ltd		367	41,812,257	58.1	15,345	13
EV Business (30% Holdco discount)			200,284	4.76		161
Listed Subsidiaries (INR mn)					726,346	605
						605
Sub Valuations Post Discount (20%)			20%		-	484
						645
Core auto business EV/EBITDA	FY27E	16.5x				3,005
Value/Share						3651
					CMP	3193
					Upside	14.3%

CMP as on 7th Feb 2025

Exhibit 4: Steady margin led by better product Mix.

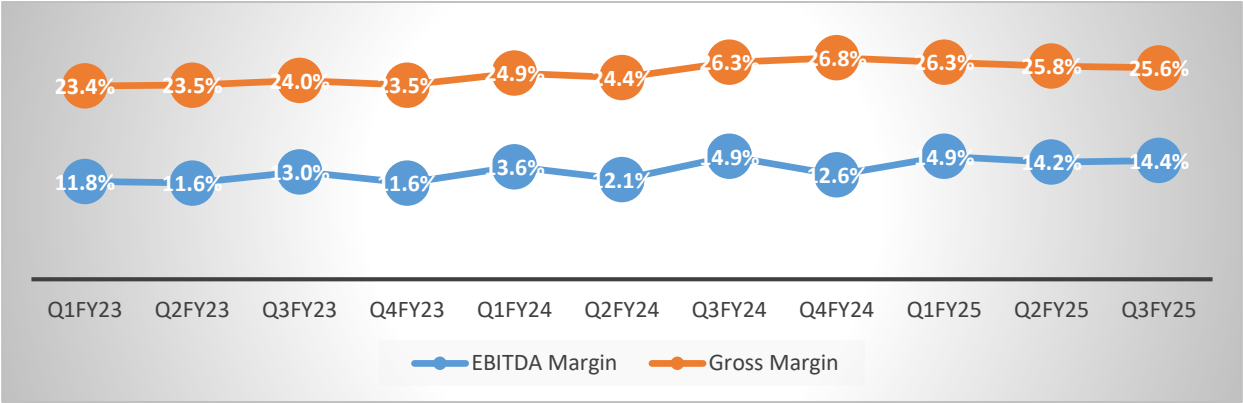
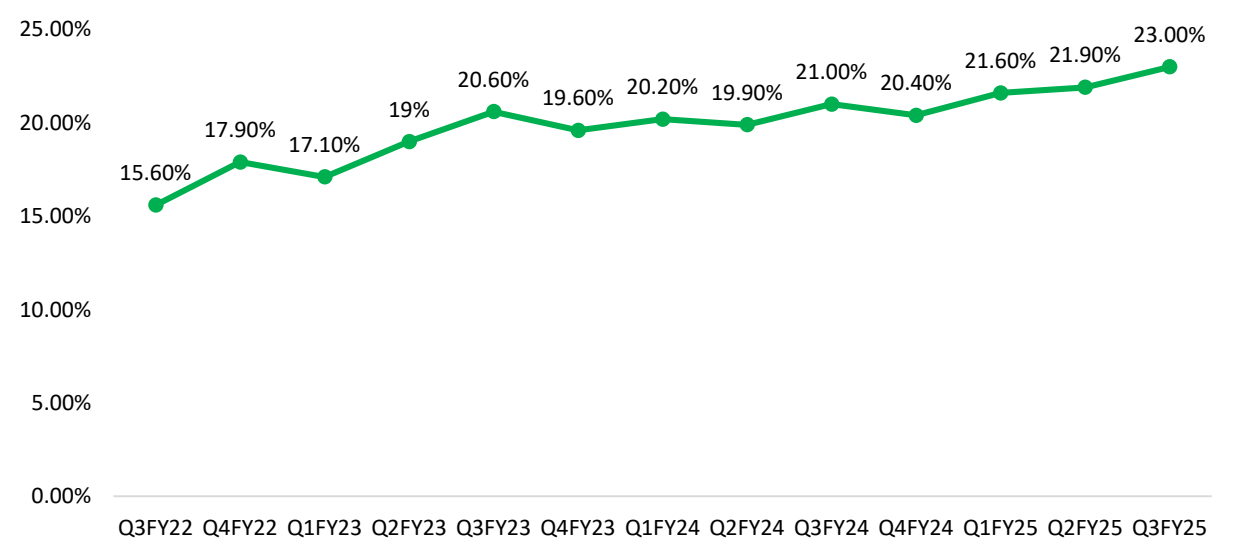


Exhibit 5: Revenue MS



Source: Company, Arianth Research

## Standalone Financial

P&L (INR mn)	FY24	FY25E	FY26E	FY27E
Net sales	987,634	1,208,056	1,324,630	1,455,226
YoY (%)	16.2	22.3	9.6	9.9
Raw material cost	740,064	880,673	968,305	1,059,405
Employee Cost	44,164	50,347	57,899	66,584
Admin Expenses	76,745	100,269	105,970	116,418
Total expenses	860,973	1,031,289	1,132,174	1,242,407
<b>EBIDTA</b>	<b>126,662</b>	<b>176,767</b>	<b>192,456</b>	<b>212,819</b>
(%)	12.8%	14.6%	14.5%	14.6%
Depreciation	34,389	34,876	37,301	39,727
EBIT	116,833	141,892	155,155	173,093
Interest	1,388	1,411	1,414	1,411
Other income	19,384	22,051	25,734	26,000
<b>PBT</b>	<b>134,830</b>	<b>162,532</b>	<b>179,474</b>	<b>197,681</b>
(-) Tax	(27,652)	(37,794)	(41,691)	(45,878)
Tax/ PBT	(20.5)	(23.3)	(23.2)	(23.2)
<b>PAT</b>	<b>107,178</b>	<b>124,738</b>	<b>137,784</b>	<b>151,803</b>
YoY (%)	63.7	16.4	10.5	10.2
PAT(%)	10.9%	10.3%	10.4%	10.4%
Extraordinary	-	-	-	-
Reported Profit	107,178	124,738	137,784	151,803

Cash Flow	FY24	FY25E	FY26E	FY27E
Net Profit	107,178	124,738	137,784	151,803
Depreciation	34,389	34,876	37,301	39,727
Deferred tax	(27,652)	(37,794)	(41,691)	(45,878)
Change in W/C	(13,680)	(41,175)	(23,401)	(25,355)
Operating cash flow	100,234	80,645	109,993	120,297
Change in intangible	(2,135)	18,749	2,648	402
Capex	(15,856)	(13,900)	(13,900)	(13,900)
Investments	(28,457)	(19,131)	(3,034)	(791)
Investing cash flow	(39,837)	(27,981)	(8,705)	(4,703)
Free Cash Flow	82,990	65,334	94,679	104,986
Dividend	(30,023)	(30,023)	(30,023)	(30,023)
Equity	12,043.40	3.60	-	-
Debt	(30,588)	(1,998)	(1,997)	(1,996)
Financing cash flow	(48,568)	(32,017)	(32,020)	(32,019)
Net change in cash	10,442	19,235	67,854	82,163
Opening cash	44,817	55,259	74,494	142,348
Closing cash	55,259	74,494	142,348	224,511

B/Sheet (INR mn)	FY24	FY25E	FY26E	FY27E
Equity capital	5,996	6,000	6,000	6,000
Reserves	516,769	611,485	719,245	841,025
Net worth	522,766	617,484	725,245	847,025
Total Loans	15,849	13,851	11,854	9,858
Def Tax Liability	15,551	15,551	15,551	15,551
Assets held for sale				
<b>Total Liabilities</b>	<b>554,165</b>	<b>646,886</b>	<b>752,649</b>	<b>872,433</b>
Gross Block	155,860	169,760	183,660	197,560
Less: Acc. depreciation	34,389	34,876	37,301	39,727
Net block	121,472	134,884	146,359	157,833
Investments	356,932	376,063	379,097	379,888
Inventories	95,048	101,300	111,380	121,859
Debtors	45,495	50,338	55,195	60,637
Cash	55,259	74,494	142,348	224,511
Loans and advances	97,021	133,725	144,217	155,971
Other Current assets	32,498	32,953	33,415	33,882
Current assets	325,322	392,810	486,554	596,861
Current liabilities	231,080	231,080	231,080	231,080
Current liabilities & Provisions	249,560	256,872	259,361	262,149
Net current assets	75,761	135,938	227,193	334,712
<b>Total Assets</b>	<b>554,165</b>	<b>646,886</b>	<b>752,649</b>	<b>872,433</b>

Key Ratios	FY24	FY25E	FY26E	FY27E
EPS	89.4	104.0	114.8	126.5
	64%	16%	10%	10%
P/E (Standalone)	35.7	30.7	27.8	25.2
EV/EBDITA (x)	27.1	19.2	17.3	15.2
Book value	436	515	604	706
P/B (x)	7.3	6.2	5.3	4.5
Subsidiary Valuation	484	484	484	484
EPS (Core EPS)	76.0	92.1	101.8	112.1
P/E (Core)	35.6	29.4	26.6	24.2
EV/EBITDA (Core)	29.6	21.0	18.9	16.7
ROCE	20.7%	21.0%	19.9%	17.6%
ROE	22.4%	21.9%	20.5%	19.3%
Days				
Inventory	42.0	42.0	42.0	42.0
Debtor	15.2	15.2	15.2	15.2
Creditor	66.0	54.8	45.0	34.8

Source: Company, Arianth Research

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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%

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