

CMP: INR 3,198

Rating: Buy

Target Price: INR 3,859

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)	6004
Mkt Cap (INR Bn)	3,998
52w H/L (INR)	3,303/2,360

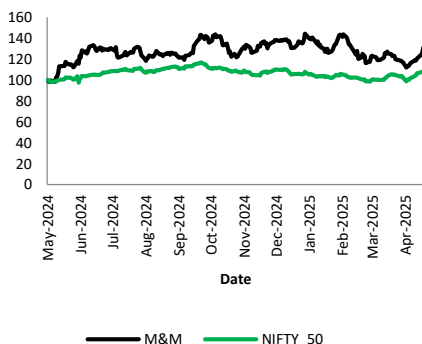
Shareholding Pattern %

(As on Jun, 2025)

Promoters	18.54
Public and others	81.46

Stock Performance (%)	1m	3m	12m
M&M	3.6	-4.9	37.7
Nifty	6.8	3.2	8.83

M&M Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Mahindra & Mahindra (M&M) reported PAT beat estimates, revenue was in line with expectations, while margins came in below estimates. Standalone revenue stood at INR 340,832 Mn, above our estimate of INR 339,284 Mn registering a growth 11.6% YoY/8.7% QoQ. EBITDA stood at INR 47,357 Mn, below our estimate of INR 50,593 Mn, Registering a growth of 8%YoY/ 20%QoQ. On the margins front, the EBITDA margin is down 5bps YoY/ +13bps QoQ to 13.9%, below with our estimate of 14.9% led by an increase in other expense 35% QoQ/18.1% QoQ. Standalone PBIT margin 8.9% excluding eSUV contract manufacturing 10.0%, up 50 bps. Standalone PAT grew by 41.6% QoQ/ +16.4% YoY to INR 34,498.4 Mn above our estimate of INR 34,450 Mn led by reduce Interest of down 9% YoY/down 31% QoQ and higher other income 14.7% YoY.(Income from investments related to subsidiaries, associates and joint ventures includes gain on sale of investment of INR 854.5 Mn in consolidated financial results for the quarter ended 30th June,FY25)Quarterly volumes at 247k (includes sales by LMM & MEAL), up 17% UV volumes at 152k. Q1 SUV revenue market share at 27.3% including eSUV, up 570 bps. Farm: Standalone PBIT 19.8%, up 130 bps. Q1 market share at 45.2%, up 50 bps volumes at 133k, up 10%

Investment Rationale

Operational efficiency boosted margins in the Farm Equipment business: Tractor MS at 45.2%, with 10% volume growth. Core tractor margins remained strong at 20.7%, reflecting operational efficiency. Farm machinery revenue crossed INR 3000 Mn, led by rotavators with 25% market share. PBIT growth was impacted by Sampo impairment; normalized growth would be ~18%.Guidance remains cautious with a focus on profit-led moderate growth, not aggressive expansion.

Strong automotive business led by better product mix: Auto segment grew volumes by 20% YoY, outperforming a soft industry. SUV market share rose to 27.3%, up 570 bps, with strong demand for new launches. LCV segment saw modest 4% growth, but market share was maintained. Standalone auto margins stayed healthy at 10%, aided by product mix. The company maintains mid-to-high teens growth outlook for FY26, supported by refreshes and exports.

Scaling Profitability in EVs Backed by Strong Execution: EV penetration reached 8% of total SUV sales, far above industry average. EV market share stood at 31% (volume) and 44.3% (revenue), highlighting leadership. EV EBITDA reached INR 1,110 Mn, even before PLI benefits, which are expected from Q2.Ramp-up to 5,000–6,000 units/month is planned during the festive season. Two new EVs to launch by early 2026, helping drive both volume and margin expansion.

Outlook and valuation

The company posted decent numbers in Q1FY26, driven by the Automotive and Farm businesses. The company stated that its full-year revenue growth outlook in the mid-to-high single digit range supported by resilient demand and strong execution. Margins are expected to stabilize or improve slightly in H2FY26, supported by festive demand, PLI flows, better fixed cost absorption, and enhanced product profitability particularly in EVs and farm machinery over the medium term. The company has additional model actions planned over the coming months, with a robust launch pipeline expected to extend into early 2026, providing support for growth in FY26. However, **We maintain our rating on the stock to Buy with a revised SOTP-based target price of INR 3,859 per share.**

Exhibit 1: Financial Performance

INR in Mn (Standalone)	FY25	FY26E	FY27E	FY28E
Revenue	1,164,837	1,328,033	1,482,557	1,670,280
EBITDA	162,746	194,861	220,093	251,463
EBITDA margin(%)	14.0%	14.7%	14.8%	15.1%
PAT	118,549	137,658	153,978	176,069
EPS (in INR)	98.7	114.6	128.2	146.6
PE(x)	32.5	28.0	25.0	21.9
EV/EBITDA (X)	20.5	16.9	14.6	12.4
ROE(%)	20.8%	20.7%	19.8%	19.8%

Source: Company, Arihant Research

Exhibit 2: Quarterly results summary Q1FY26

INR Mn	Q1FY26	Q4FY25	Q3FY25	QoQ %	YoY %
Net Sales	340,832	313,534	305,382	8.7%	11.6%
Cost of material consumed	259,207	232,299	227,268	11.6%	14.1%
Staff Cost	13,017	12,686	12,850	2.6%	1.3%
Other expenses	21,251	28,910	21,422	-26.5%	-0.8%
Total expenses	293,475	273,894	261,540	7.1%	12.2%
EBITDA	47,357	39,640	43,843	19.5%	8.0%
Depreciation	9,999	13,058	10,451	-23.4%	-4.3%
EBIT	37,358	26,582	33,392	40.5%	11.9%
Interest	559	810	614	-31.0%	-9.0%
Other Income	7,913	7,678	6,901	3.1%	14.7%
Profit before exceptional items and tax	44,713	33,450	39,679	33.7%	12.7%
Extraordinary	-	-	-		
Profit/(loss) before tax	44,713	33,450	39,679	33.7%	12.7%
Tax	(10,214)	(9,079)	(10,036)	12.5%	1.8%
Reported PAT	34,498.4	24,371.4	29,643.1	41.6%	16.4%
EPS	21.30	20.30	24.70	4.9%	-13.8%

Margins	Q1FY26	Q4FY25	Q3FY25	QoQ %	YoY %
Gross margins	23.9%	25.9%	25.6%	-20bps	-16bps
EBITDA	13.9%	12.6%	14.4%	13bps	-5bps
PAT	10.1%	7.8%	9.7%	23bps	4bps
Tax Rate	-22.8%	-27.1%	-25.3%	43bps	24bps
Tractor Segment	Q1FY26	Q4FY25	Q3FY25	QoQ %	YoY %
Total Tractors Volume	134,089	88,018	121,774	52.3%	10.1%
Total Automotive Volume	247,249	253,027	245,499	-2.3%	0.7%
Total Volume (Auto + Farm)	381,338	341,045	367,273	11.8%	3.8%
Aveg Relizations (Auto)	386,163	377,341	388,907	2.3%	-0.7%
Aveg Relizations (FES)	389,142	592,817	428,479	-34.4%	-9.2%
Blended realisation	401,452	448,873	416,809	-10.6%	-3.7%

Exhibit 3: SOTP Valuation

Listed Subsidiary	Valuation Basis	CMP	M&M stake	% Stake	Mcap (INR Mn)	Value/share
Tech Mahindra Limited		1,464	248,022,598	25.5	363,105	302
Mahindra & Mahindra Financial Services		257	644,399,987	52.2	165,611	138
Mahindra Holidays & Resorts		356	134,835,922	67.0	48,002	40
Mahindra Lifespace Developers		375	79,319,550	51.3	29,745	25
Mahindra EPC Irrigation		142	15,144,433	54.3	2,151	2
Swaraj Engines		4,195	6,331,141	34.8	26,559	22
Mahindra Logistics Ltd		336	41,812,257	58.1	14,049	12
EV Business (30% Holdco discount)			200,284	4.76		161
<i>Listed Subsidiaries (INR mn)</i>					649,221	541
						541
Sub Valuations Post Discount (20%)			20%		-	433
						594
Core auto business EV/EBITDA	FY28E	12.7x				3,265
Value/Share						3859
					CMP	3198
					Upside	20.7%

CMP as on 31st July FY25

Source: Arianth Research, Company Filings

Mahindra & Mahindra (M&M)-Q1FY26

Automotive Segment

The company maintained its guidance for mid-to-high teens revenue growth in FY26. While rural demand has started to show some improvement, urban consumption remains soft. Management anticipates that festive demand, the progress of the monsoon, and possible interest rate cuts will drive recovery.

Light commercial vehicle (<3.5T) volumes rose 4% YoY to about 64,000 units, pushing market share up 340 bps YoY to a record 54.2%.

Auto EBIT margins (excluding BEVs) came in at ~10%, up from 9.5% in Q1FY25. Including BEVs, overall auto EBIT margin was 8.9%. The BEV division reported EBITDA of INR 1.11 billion with improved margins at 3.6% versus 1% in Q4FY25, driven by a richer product mix, better absorption of fixed costs, and ICE asset leverage. Though no PLI benefits have been booked yet, M&M has qualified for the XEV 9E scheme and expects to start recognizing benefits from Q2 or early Q3FY26. An application for BE6 PLI benefits is targeted for Q4FY26.

EV ramp-up is progressing steadily, with the current monthly output of ~4,000 units, projected to rise to 5,000–6,000 units by the festive season.

Early CY26 launches are expected to support further scaling. Notably, nearly 80% of EV buyers are either new customers or returning after a long gap. The EV platform expansion will be housed at Chakan, while greenfield capacity is being considered, with site selection pending. Current ICE capacity stands at ~55,000 units/month.

On rare earth sourcing, no near-term supply risks are expected, with inventory secured for 2–3 quarters.

The company is also exploring use of lighter rare earths and alternative materials to reduce dependency.

The newly launched 3XO model has seen strong initial demand in South Africa and Australia, and export volumes are expected to stabilize at ~1,000 units/month, positioning M&M as the fastest-growing SUV brand in South Africa. The management has indicated that SUV growth is expected to be in the mid to high teens going forward.

The company established market leadership in the electric three-wheeler (E-3W) segment (last mile mobility) with a 38.7% market share in Q1 FY26, achieving its highest-ever Q1 volumes. E-3W volumes grew 20.3% YoY, with total EV (3W+4W) sales at 19,254 units, compared to 15,583 units in Q1 FY25. In contrast, ICE (3W+4W) volumes declined to 5,857 units from 7,399 units a year earlier.

Thar Roxx continued to witness a strong booking pipeline, particularly in the 4x4 portfolio. The company is actively addressing supply-side challenges to reduce the long waiting period. Additionally, the 3XO was recently launched in Australia, and initial customer response has been very encouraging. The Thar ROXX 3-door is currently registering monthly sales of ~3,500-4,000 units. The company is operating at almost full capacity at its dedicated plant to meet the demand for this model.

Farm Equipment Segment (FES):

FES EBIT growth was modest at ~6% YoY, mainly due to one-off impairment-related costs. Excluding these, growth would have been closer to 18%.

In the farm machinery space, the company has adjusted its strategy to focus on developing a strong product pipeline. Current harvester market share is around 5%, with plans to strengthen further.

Financials and Cost Trends:

Steel prices rose about 6% QoQ, but the impact was mitigated by pricing actions, hedging, and inventory management. Precious metal prices also saw some inflation. Depreciation and amortization have stabilized following a spike in Q4FY25, with a gradual rise expected in line with upcoming capitalizations.

CAFE (Corporate Average Fuel Efficiency) norms are being actively advocated by SIAM, which has submitted proposals for implementation-December 2024 for passenger vehicles and May 2025 for commercial vehicles. The company fully endorses and supports SIAM's recommendations. It will await the government's decision on the matter and remains prepared to comply with the final outcome.

Margins are expected to **stabilize or improve slightly in H2 FY26**, supported by festive demand, PLI flows, better fixed cost absorption, and enhanced product profitability particularly in EVs and farm machinery over the medium term. **The company has additional model actions planned over the coming months, with a robust launch pipeline expected to extend into early 2026, providing support for growth in FY26.**

Standalone Financial

P&L (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	1,164,837	1,328,033	1,482,557	1,670,280
YoY (%)	17.9	14.0	11.6	12.7
Raw material cost	863,402	970,792	1,079,302	1,210,953
Employee Cost	48,815	56,137	64,558	74,241
Admin Expenses	89,875	106,243	118,605	133,622
Total expenses	1,002,091	1,133,172	1,262,464	1,418,817
EBIDTA	162,746	194,861	220,093	251,463
(%)	14.0%	14.7%	14.8%	15.1%
Depreciation	42,268	40,576	43,516	46,456
EBIT	141,886	154,285	176,577	205,007
Interest	2,505	1,139	1,086	827
Other income	17,119	27,150	26,000	26,001
PBT	156,500	180,297	201,491	230,182
(-) Tax	(37,952)	(42,639)	(47,513)	(54,112)
Tax/ PBT	(24.3)	(23.6)	(23.6)	(23.5)
PAT	118,549	137,658	153,978	176,069
YoY (%)	10.6	16.1	11.9	14.3
PAT(%)	10.2%	10.4%	10.4%	10.5%
Extraordinary	-	-	-	-
Reported Profit	118,549	137,658	153,978	176,069

B/Sheet (INR mn)	FY25	FY26E	FY27E	FY28E
Equity capital	6,004	6,004	6,004	6,004
Reserves	609,847	711,335	829,141	937,587
Net worth	615,851	717,338	835,145	943,591
Total Loans	11,351	9,354	7,358	5,362
Def Tax Liability	16,629	16,629	16,629	16,629
Assets held for sale				
Total Liabilities	643,830	743,321	859,132	965,582
Gross Block	177,249	193,249	209,249	225,249
Less: Acc. depreciation	42,268	40,576	43,516	46,456
Net block	134,981	152,673	165,733	178,793
Investments	412,991	415,050	415,653	418,702
Inventories	103,333	111,666	124,148	139,291
Debtors	57,256	55,337	61,776	69,598
Cash	107,906	150,072	232,632	313,878
Loans and advances	85,428	144,523	158,431	175,327
Other Current assets	41,865	42,451	43,045	47,350
Current assets	395,787	504,049	620,031	745,444
Current liabilities	291,215	300,096	310,632	341,696
Current liabilities & Provisions	342,196	328,450	342,285	377,357
Net current assets	53,591	175,598	277,746	368,087
Total Assets	643,831	743,321	859,132	965,582

Cash Flow	FY25	FY26E	FY27E	FY28E
Net Profit	118,549	137,658	153,978	176,069
Depreciation	42,268	40,576	43,516	46,456
Deferred tax	(37,952)	(42,639)	(47,513)	(54,112)
Change in W/C	38,060	(51,549)	(19,587)	(9,095)
Operating cash flow	160,925	84,046	130,393	159,318
Change in intangible	(3,569)	1,631	171	864
Capex	(18,834)	(16,000)	(16,000)	(16,000)
Investments	(63,659)	(2,059)	(604)	(3,049)
Investing cash flow	(77,053)	(2,573)	(8,580)	(7,626)
Free Cash Flow	139,586	66,908	113,307	142,492
Dividend	(36,171)	(36,171)	(36,171)	(67,623)
Equity	10,561	-	-	-
Debt	(4,498)	(1,997)	(1,996)	(1,996)
Financing cash flow	(30,108)	(38,168)	(38,167)	(69,619)
Net change in cash	51,259	42,167	82,560	81,246
Opening cash	56,646	107,905	150,072	232,632
Closing cash	107,905	150,072	232,632	313,878

Key Ratios	FY25	FY26E	FY27E	FY28E
EPS	98.7	114.6	128.2	146.6
	10%	16%	12%	14%
P/E (Standalone)	32.4	27.9	24.9	21.8
EV/EBDITA (x)	20.5	16.9	14.5	12.4
Book value	513	597	696	786
P/B (x)	6.2	5.4	4.6	4.1
Subsidiary Valuation	433	433	433	433
EPS (Core EPS)	88.5	102.2	114.3	130.9
P/E (Core)	31.3	27.1	24.2	21.1
EV/EBITDA (Core)	22.8	18.8	16.2	13.9
ROCE	20.2%	20.0%	18.2%	18.4%
ROE	20.8%	20.7%	19.8%	19.8%
Days				
Inventory	42.0	42.0	42.0	42.0
Debtor	15.2	15.2	15.2	15.2
Creditor	65.8	65.6	60.5	57.0

Source: Company, Arianth Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100/101 CIN: L66120MP1992PLC007182

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	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

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

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

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