

MAHINDRA & MAHINDRA LTD.

Buy at CMP: Rs 2083 | Target: Rs 2390 (15%) | SL: Rs 1975

Sector

Apr 22, 2024

Automobile & Ancillaries



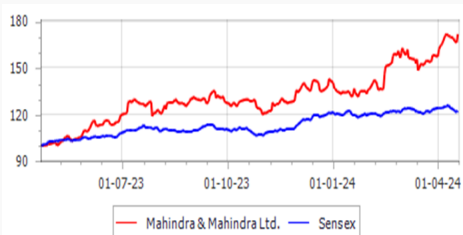
Script Details

BSE Group	A
BSE Code	500520
NSE Code	M&M
Bloomberg Code	MM IN
Market Cap (INR Cr.)	2,59,015
Free Float (%)	81.9%
52wk Low/High	2109/1196
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	5/0.8
Total paid Up Shares (Mn.)	1243.5

Share Holding Pattern (%)

Promoters	Public	Others
18.1%	81.9%	-

Share Price Relative Performance



Mahindra & Mahindra (M&M) is a conglomerate with presence in auto, IT, financial services, logistics, hospitality and real estate among others. At standalone level it is India's largest tractor manufacturer (41.2% FY23 market share) & 2nd largest CV, 4th largest PV maker (25.8%, 9.2% FY23 market share), The company's core business is mobility products and farm solutions. Since assembling its first vehicle in 1947, it has grown rapidly. Currently, the company offers a wide range of products and solutions ranging from SUVs, pickups, commercial vehicles and tractors, to electric vehicles, two-wheelers, gensets and construction equipment.

Investment Rationale

- ◆ **Strong Position Across the Business Segments:** The company is 4th largest manufacturer of passenger vehicles and the 2nd large. As of Q3FY24, the company ranks as the 4th largest manufacturer of passenger vehicles, the second largest in CV, and the largest in small commercial vehicles in the Indian market. It boasts a significant market share, holding 21% in SUVs, 50% in LCVs, and 42% in the domestic market's farm equipment division. For four decades, it has maintained its leadership in India's tractor industry. Furthermore, its global farm business is substantial, operating in four of the world's top five markets. Projections indicate an 8% CAGR for the Indian automotive sector by FY31, suggesting that M&M will continue to expand robustly thanks to its commanding presence in this industry.
- ◆ **Healthy Order Book and New Launches to Drive Growth:** M&M's current order book: 226,000 units, led by Scorpio, Thar, and XUV700. Monthly new bookings expected at 50,000 units. Thar 5-door variant and XUV300 mid-cycle refresh planned for FY25 to boost volumes. Anticipated mid-teens growth in FY25 volumes with revenue projected to grow at 13% CAGR from FY24 to FY26.
- ◆ **Strategic Investments and Foray in EV business:** The company partners with British International Investment to establish an EV venture, aiming for a total investment of Rs 8,000 crore from FY24 to FY27. The company plans to invest Rs 1,925 crore through equity, while British International Investment will invest Rs 1,925 crore through Compulsorily Convertible Preference Shares (CCPS). Ownership stakes will range from 2.75% to 4.76%.
- ◆ **Outlook and Valuations:** We estimate M&M to report PAT of INR 15,602 Cr on revenue of Rs 1,90,264 Cr by FY26E. Which implies forward PE of 16.6(x) for FY26E. We value it with a Price to Earnings of 16.6x to FY26E EPS which results per share value of INR 2390. We recommend BUY on M&M at CMP of INR 2083 with Target price of INR 2390 (15%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY23	1,35,426	23,201	11,151	23.2	13.2
FY24E	1,51,677	25,937	12,438	20.8	13.5
FY25E	1,69,878	29,049	13,930	18.6	12.0
FY26E	1,90,264	32,535	15,602	16.6	10.7

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- Since March 2023, M&M has demonstrated remarkable resilience in its price behavior, characterized by a consistent pattern of forming higher tops and higher bottoms. This upward trajectory indicates a strong and sustained trend in the stock's performance. Even amid turbulent market conditions, M&M has shown an ability to maintain stability within a certain price range, showcasing its resilience and relative strength.
- A key aspect contributing to M&M's bullish outlook is its ability to hold above important moving averages, particularly the 12-week and 26-week exponential moving averages (EMA).
- The MACD study, a momentum indicator, further supports the bullish sentiment. With the MACD line rising in positive territory, it suggests that the stock's upward momentum is gaining strength.
- Moreover, when comparing M&M's performance against the broader market represented by the NIFTY index, the stock has displayed significant outperformance. This is evidenced by the breakout on the ratio chart against the NIFTY, particularly from the swing high established in 2018.



Inference & Expectations

- Considering these factors, it can be inferred that M&M stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 2400 level.
- The stop loss must be at 1975 level, strictly on the closing basis.

Invest Now 

Source: Tradingview.in, GEPL Research



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