

February 10, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	3,664		3,541	
Sales (Rs. m)	13,04,403	14,85,064	13,07,957	14,93,327
% Chng.	(0.3)	(0.6)		
EBITDA (Rs. m)	1,87,834	2,16,819	1,90,962	2,21,012
% Chng.	(1.6)	(1.9)		
EPS (Rs.)	114.1	129.2	116.7	132.3
% Chng.	(2.3)	(2.4)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	988	1,137	1,304	1,485
EBITDA (Rs. bn)	127	164	188	217
Margin (%)	12.8	14.4	14.4	14.6
PAT (Rs. bn)	107	124	137	155
EPS (Rs.)	89.4	103.3	114.1	129.2
Gr. (%)	34.2	15.6	10.4	13.2
DPS (Rs.)	21.1	25.0	26.0	27.0
Yield (%)	0.7	0.8	0.8	0.8
RoE (%)	22.4	21.7	20.4	19.8
RoCE (%)	18.0	21.2	20.4	19.9
EV/Sales (x)	3.8	3.3	2.8	2.5
EV/EBITDA (x)	29.4	22.7	19.8	17.1
PE (x)	35.8	31.0	28.0	24.8
P/BV (x)	7.3	6.2	5.3	4.5

Key Data

MAHM.BO | MM IN

52-W High / Low	Rs.3,271 / Rs.1,623
Sensex / Nifty	77,860 / 23,560
Market Cap	Rs.3,977bn/ \$ 45,493m
Shares Outstanding	1,244m
3M Avg. Daily Value	Rs.8911.88m

Shareholding Pattern (%)

Promoter's	18.56
Foreign	41.90
Domestic Institution	26.25
Public & Others	13.29
Promoter Pledge (Rs bn)	0.06

Stock Performance (%)

	1M	6M	12M
Absolute	2.9	19.3	85.8
Relative	3.3	21.8	72.2

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Strong margin expansion across divisions

Quick Pointers:

- Tractor market share up by 240bps YoY, UV revenue share up 200bps YoY
- To increase capacity for Thar Roxx and 3XO gradually

M&M's Q3FY25 Standalone revenue grew by 20.3% YoY, in line with consensus estimates, while it was 2.1% lower than PLe. The growth in revenue was aided by strong performance in the Auto and Farm division. Gross profit grew by 23.8%YoY while margin expanded by 72bps YoY to 25.6% (PLe: 26.2%), benefiting from higher volume and mix improvement. EBITDA grew by 33.1% YoY while margin expanded 138bps YoY to 14.4% (PLe: 14.4; BBGe: 14.5%). Healthy overall performance enabled its PAT to increase by 19.1% YoY.

The portfolio restructuring of Swaraj brand along with new product launches has led the company to gain market share in the tractors category which has enabled the company to deliver healthy overall performance consistently. The overall momentum remains positive in the farm division while its emphasis on gradually scaling its Farm Machinery business could lead to steady margin performance. Additionally, the buoyancy in the UVs continues to aid its volume growth and the inclusion of EVs to further support the volume growth. Factoring this, we estimate its revenue/EBITDA/PAT to grow at a CAGR of 14.6%/19.6%/13.1% over FY24-27E. We retain our 'BUY' rating with a TP of Rs3,664 (previous Rs3,541) valuing it at 27x on its Mar'27E core EPS and Rs229 for its EV business and Rs421 for its listed subsidiaries.

Operating leverage leading to healthy margins: Automotive division volume grew by 15.6% YoY driven by strong UV sales. Consequently, revenue grew by 20% YoY to Rs224.1bn (PLe: Rs230.4bn), while realization increased by 3.7% YoY to Rs 912,837/unit (PLe: Rs 938,296/unit). The growth in realization was aided by better mix and marginal price hike taken during the quarter. EBIT came in at Rs21.7bn, up by 37.2% YoY, while EBIT margin expanded by 122bps YoY to 9.7%. The robust operational performance was enabled by operating leverage and benign steel prices. Additionally, consistent demand for existing line of UVs and new launches, led the company to further strengthen its leadership position as its revenue market share improved by 200bps YoY to 23%.

Farm machinery continues to deliver strong revenue growth: Farm division revenue grew by 21.3% YoY to Rs81.7bn (PLe: Rs82.5bn) driven by tractors volume expansion of 19.8% YoY. Realization was up by 1.3% YoY to Rs 670,697/unit (PLe: Rs 677,359/unit). EBIT came in at Rs14.8bn, registering a growth of 42% YoY, with core tractor margin of 19.5% vis-à-vis 16.9% in Q3FY24. Good monsoon, strong reservoir levels and hike in MSP kept the momentum positive which aided in healthy volume expansion in Q3FY25. Consequently, its market share increased by 240bps YoY to 44.2%. Farm machining revenue increased by 12% YoY to Rs2.5bn.

Exhibit 1: Q3FY25 Result Overview (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	Var (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Revenues	3,05,382	2,53,829	20.3	3,12,042	(2.1)	2,75,533	10.8	8,51,303	7,39,149	15.2
Raw Materials	2,27,268	1,90,725	19.2	2,30,443	(1.4)	2,04,440	11.2	6,31,102	5,55,601	13.6
% of Net Sales	74.4	75.1		73.9		74.2		74.1	75.2	
Personnel	12,850	11,461	12.1	12,794	0.4	11,526	11.5	36,129	33,409	8.1
% of Net Sales	4.2	4.5		4.1		4.2		4.2	4.5	
Manufacturing & Other Exp	21,422	18,692	14.6	24,027	(10.8)	20,525	4.4	60,965	54,406	12.1
% of Net Sales	7.0	7.4		7.7		7.4		7.2	7.4	
Total Expenditure	2,61,540	2,20,879	18.4	2,67,264	(2.1)	2,36,491	10.6	7,28,196	6,43,415	13.2
EBITDA	43,843	32,950	33.1	44,778	(2.1)	39,042	12.3	1,23,107	95,733	28.6
EBITDA Margin (%)	14.4	13.0		14.4		14.2		14.5	13.0	
Depreciation	10,451	8,312	25.7	9,758	7.1	9,614	8.7	29,210	24,998	16.9
EBIT	33,392	24,638	35.5	35,020	(4.6)	29,428	13.5	93,896	70,735	32.7
Interest Expenses	614	348	76.5	557	10.3	551	11.4	1,695	1,008	68.1
Non-operating income	6,901	7,412	(6.9)	7,554	(8.6)	20,433	(66.2)	30,849	38,607	(20.1)
Extraordinary Income	0	0	#DIV/0!	0		0	#DIV/0!	0	0	#DIV/0!
PBT	39,679	31,702	25.2	42,018	(5.6)	49,310	(19.5)	1,23,051	1,08,334	13.6
Tax-Total	10,036	6,805	47.5	10,925	(8.1)	10,901	(7.9)	28,873	21,912	31.8
Tax Rate (%) - Total	25.3	21.5		26.0		22.1		23.5	20.2	
Reported PAT	29,643	24,897	19.1	31,093	(4.7)	38,409	(22.8)	94,178	86,422	(8.2)
PAT Margin	9.7	9.8		10.0		13.9		11.1	11.7	

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	Var (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Sales Volume (nos)	3,67,273	3,14,016	17.0	3,67,273	-	3,24,420	13.2	10,24,710	9,17,302	11.7
Blended Realization/Vehicle	8,31,486	8,08,331	2.9	8,49,618	(2.1)	8,49,308	(2.1)	8,30,774	8,05,785	3.1
Material cost / vehicle	6,18,799	6,07,374	1.9	6,27,443	(1.4)	6,30,171	(1.8)	6,15,884	6,05,690	1.7
Gross Profit / vehicle	2,12,687	2,00,957	5.8	2,22,175	(4.3)	2,19,137	(2.9)	2,14,890	2,00,095	7.4
Employee cost /vehicle	34,987	36,499	(4.1)	34,834	0.4	35,528	(1.5)	35,258	36,421	(3.2)
Other expenses / vehicle	58,327	59,526	(2.0)	65,421	(10.8)	63,266	(7.8)	59,495	59,311	0.3
EBITDA/vehicle	1,19,374	1,04,932	13.8	1,21,920	(2.1)	1,20,343	(0.8)	1,20,138	1,04,364	15.1
Net Profit/vehicle	80,711	79,287	1.8	84,659	(4.7)	1,18,392	(31.8)	91,907	94,213	(2.4)

Source: Company, PL

Exhibit 3: Segmental Breakup (Rs mn)

	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	Var (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Automotive										
Volumes (nos)	2,45,499	2,12,344	15.6	2,45,499	-	2,31,038	6.3	6,88,087	6,10,560	12.7
Realizations (Rs/unit)	9,12,837	8,80,234	3.7	9,38,296	(2.7)	9,13,715	(0.1)	9,07,842	8,83,777	2.7
Revenue (Rs mn)	2,24,101	1,86,913	19.9	2,30,351	(2.7)	2,11,103	6.2	6,24,674	5,39,599	15.8
EBIT (Rs mn)	21,670	15,795	37.2	28,800	(24.8)	20,060	8.0	59,713	45,807	30.4
EBIT margin %	9.7	8.5	122 bps	12.5	-283 bps	9.5	17 bps	9.6	8.5	107 bps
Farm equipment's										
Volumes (nos)	1,21,774	1,01,672	19.8	1,21,774	-	93,382	30.4	3,36,623	3,06,742	9.7
Realizations (Rs/unit)	6,70,697	6,62,380	1.3	6,77,359	(1.0)	6,95,724	(3.6)	6,77,562	6,55,589	3.4
Revenue (Rs mn)	81,673	67,346	21.3	82,485	(1.0)	64,968	25.7	2,28,083	2,01,097	13.4
EBIT (Rs mn)	14,787	10,415	42.0	16,085	(8.1)	11,362	30.1	41,208	32,906	25.2
EBIT margin %	18.1	15.5	264 bps	19.5	-139 bps	17.5	62 bps	18.1	16.4	170 bps

Source: Company, PL

Conference Call Highlights:

Auto Division

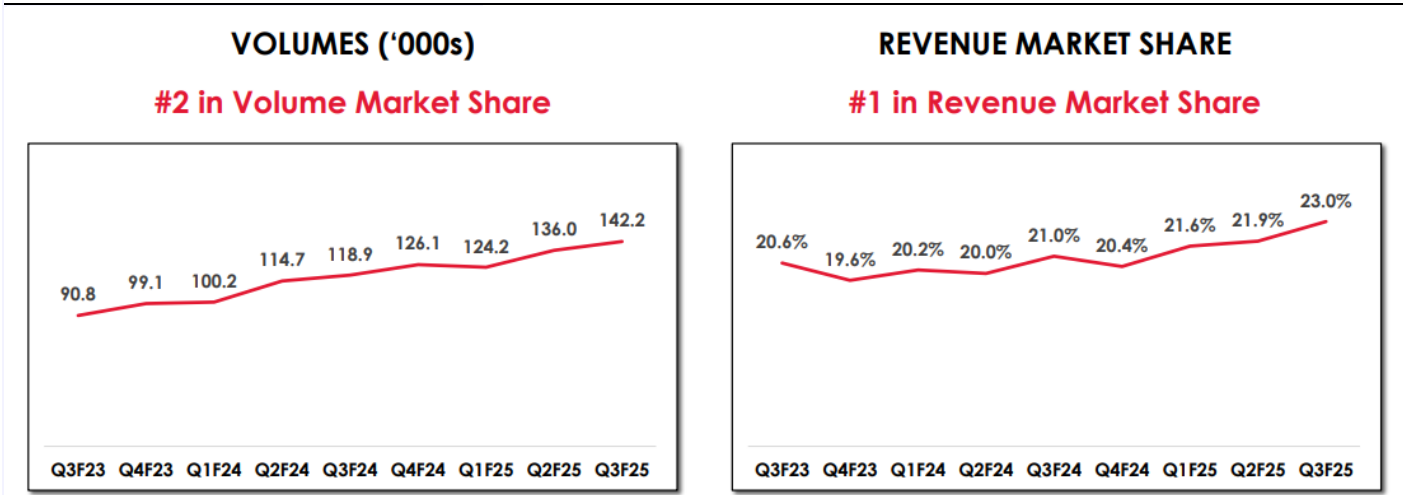
- M&M received strong initial customer traction for its EV lineup, with bookings opening in ~250 dealerships from 14th Feb'25.
- The luxury appeal of the new BEVs is drawing strong interest from first-time buyers for its products.
- The current capacity of 3XO is ~9k units/month which the company aims to increase in a calibrated manner due to strong demand in domestic as well as international region particularly South Africa for the Gasoline variant.
- M&M currently sells ~700 units/month of 3XO models in South Africa.
- The company plans to leverage the existing exports markets like South Africa, Australia and Chile and plans future EV exports to RHD markets like UK and Australia.
- Thar Roxx capacity is ~9k units with high waiting period for the product. The company aims to add ~2k units in terms of capacity to cater to the strong demand.
- M&M targets ~5k units/month initially for its new BEVs.
- Took judicial price hike of ~0.7% in Dec'24 and ~0.8% in Jan'25.

Farm Division

- The management expects the industry to grow by ~15% in Q4FY25 while FY25 growth is projected to be 7% over FY24.
- International tractor business faced challenges due to macroeconomic factors in certain markets, leading to lower-than-expected growth.
- OJA and Target tractor platforms have helped M&M gain 5% points in the 20-30 HP segment and 3.5% points in the sub-30 HP category, improving its competitiveness globally.

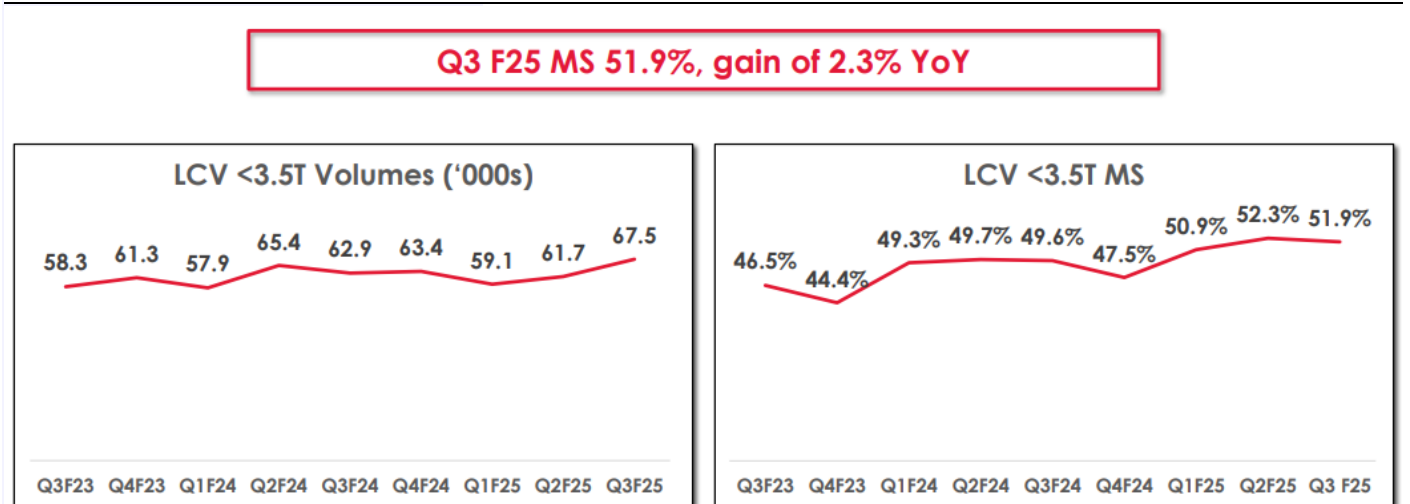
Key charts:

Exhibit 4: Revenue market share up by 200bps YoY



Source: Company, PL

Exhibit 5: Continues to gain market share in its category despite sluggish volume trend

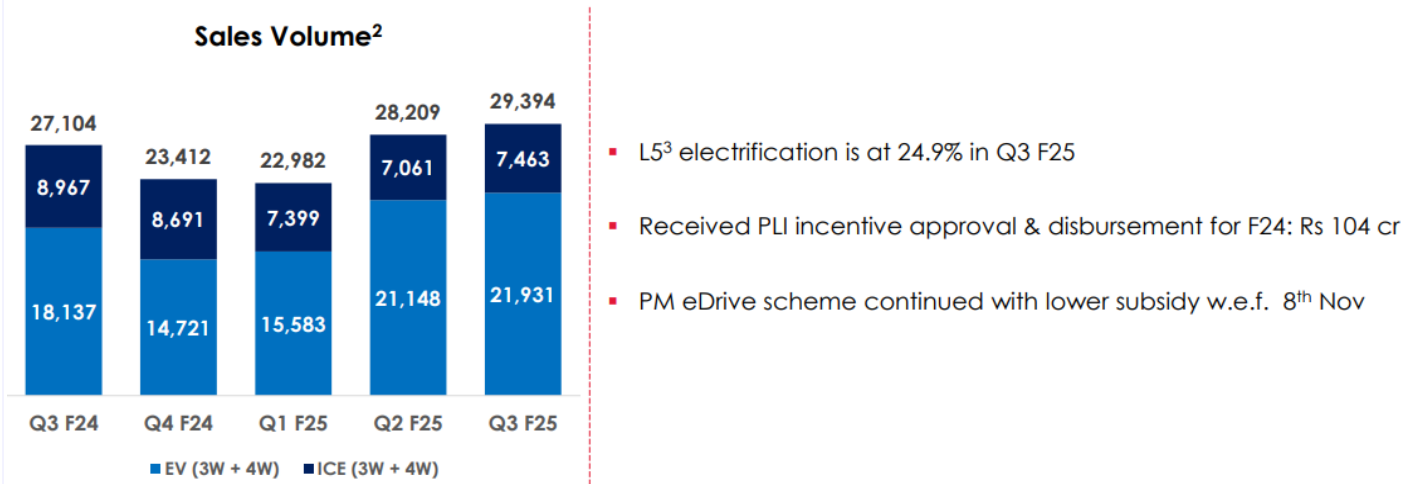


Source: Company, PL



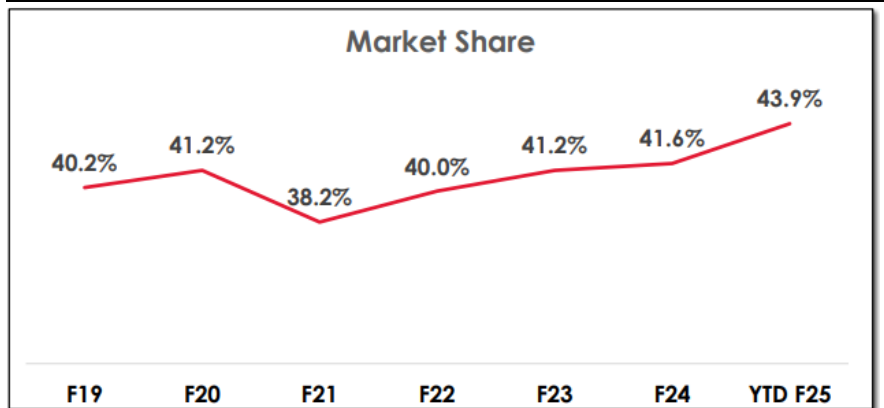
Exhibit 6: Last Mile Mobility – Electrification in 3Ws continue to gain traction

Market Leadership in E-3W with 41.8%¹ MS in Q3 F25
Highest ever quarterly E-3W billing at 21.4K in Q3 F25



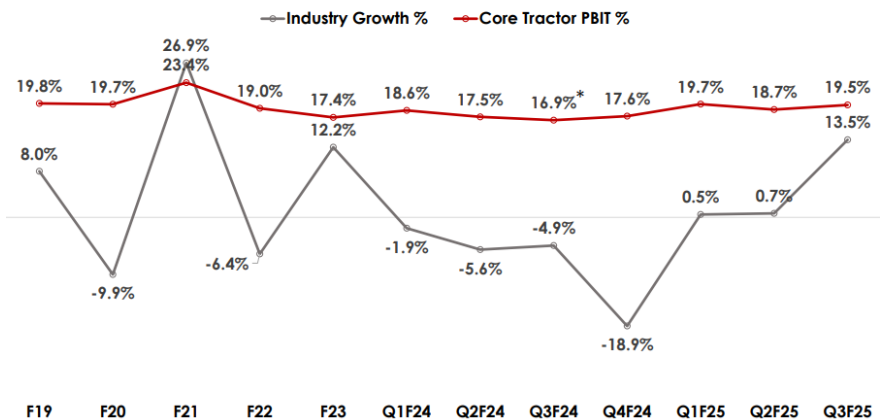
Source: Company, PL

Exhibit 7: Consistent rise in market share



Source: Company, PL

Exhibit 8: Core tractor margin improved by ~260bps YoY



Note: Core Tractor comprises of Tractor business (incl exports) and excludes Powerol & Farm Machinery business

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	9,87,634	11,37,207	13,04,403	14,85,064
YoY gr. (%)	16.2	15.1	14.7	13.9
Cost of Goods Sold	7,40,064	8,40,396	9,62,650	10,93,007
Gross Profit	2,47,571	2,96,811	3,41,754	3,92,057
Margin (%)	25.1	26.1	26.2	26.4
Employee Cost	44,164	48,900	59,350	67,570
Other Expenses	76,745	84,153	94,569	1,07,667
EBITDA	1,26,662	1,63,758	1,87,834	2,16,819
YoY gr. (%)	22.0	29.3	14.7	15.4
Margin (%)	12.8	14.4	14.4	14.6
Depreciation and Amortization	34,389	38,519	47,059	56,939
EBIT	92,273	1,25,239	1,40,775	1,59,880
Margin (%)	9.3	11.0	10.8	10.8
Net Interest	1,388	993	765	745
Other Income	43,944	36,606	37,626	42,015
Profit Before Tax	1,34,830	1,60,852	1,77,636	2,01,150
Margin (%)	13.7	14.1	13.6	13.5
Total Tax	27,652	36,996	40,856	46,265
Effective tax rate (%)	20.5	23.0	23.0	23.0
Profit after tax	1,07,178	1,23,856	1,36,780	1,54,886
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,07,178	1,23,856	1,36,780	1,54,886
YoY gr. (%)	34.3	15.6	10.4	13.2
Margin (%)	10.9	10.9	10.5	10.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,07,178	1,23,856	1,36,780	1,54,886
YoY gr. (%)	63.7	15.6	10.4	13.2
Margin (%)	10.9	10.9	10.5	10.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,07,178	1,23,856	1,36,780	1,54,886
Equity Shares O/s (m)	1,199	1,199	1,199	1,199
EPS (Rs)	89.4	103.3	114.1	129.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	4,12,243	5,27,243	6,49,243	7,74,243
Tangibles	4,12,243	5,27,243	6,49,243	7,74,243
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,36,963	2,75,481	3,22,541	3,79,480
Tangibles	2,36,963	2,75,481	3,22,541	3,79,480
Intangibles	-	-	-	-
Net fixed assets	1,75,280	2,51,761	3,26,702	3,94,763
Tangibles	1,75,280	2,51,761	3,26,702	3,94,763
Intangibles	-	-	-	-
Capital Work In Progress	37,558	37,558	39,811	43,793
Goodwill	-	-	-	-
Non-Current Investments	2,21,864	2,32,513	2,43,695	2,57,784
Net Deferred tax assets	(15,551)	(16,328)	(17,145)	(18,002)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	79,021	79,021	79,021	79,021
Inventories	95,048	1,12,163	1,28,653	1,46,472
Trade receivables	45,495	52,385	60,086	68,408
Cash & Bank Balance	55,259	57,773	60,069	63,059
Other Current Assets	48,788	56,106	64,522	74,201
Total Assets	8,46,823	9,76,641	11,12,090	12,53,460
Equity				
Equity Share Capital	5,996	5,996	5,996	5,996
Other Equity	5,16,769	6,10,644	7,16,244	8,38,750
Total Network	5,22,766	6,16,640	7,22,240	8,44,746
Non-Current Liabilities				
Long Term borrowings	14,652	13,652	13,152	12,652
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,712	5,712	5,712	5,712
Trade payables	1,85,920	2,11,863	2,43,012	2,72,601
Other current liabilities	1,02,223	1,12,445	1,10,829	99,746
Total Equity & Liabilities	8,46,823	9,76,641	11,12,090	12,53,460

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,34,830	1,60,852	1,77,636	2,01,150
Add. Depreciation	34,389	38,519	47,059	56,939
Add. Interest	1,388	993	765	745
Less Financial Other Income	43,944	36,606	37,626	42,015
Add. Other	(43,944)	(36,606)	(37,626)	(42,015)
Op. profit before WC changes	1,26,662	1,63,758	1,87,834	2,16,819
Net Changes-WC	(6,244)	(4,008)	(15,245)	(33,743)
Direct tax	(26,804)	(36,218)	(40,040)	(45,407)
Net cash from Op. activities	93,614	1,23,532	1,32,549	1,37,669
Capital expenditures	(77,858)	(1,25,649)	(1,35,435)	(1,43,070)
Interest / Dividend Income	-	-	-	-
Others	43,944	36,606	37,626	42,015
Net Cash from Invt. activities	(33,914)	(89,043)	(97,809)	(1,01,055)
Issue of share cap. / premium	7,324	-	-	-
Debt changes	(29,891)	(1,000)	(500)	(500)
Dividend paid	(25,304)	(29,981)	(31,180)	(32,379)
Interest paid	(1,388)	(993)	(765)	(745)
Others	-	-	-	-
Net cash from Fin. activities	(49,258)	(31,974)	(32,445)	(33,624)
Net change in cash	10,442	2,514	2,295	2,990
Free Cash Flow	43,995	8,532	8,295	8,688

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	2,51,828	2,70,388	2,75,533	3,05,382
YoY gr. (%)	11.6	12.0	12.9	20.3
Raw Material Expenses	1,84,348	1,99,394	2,04,440	2,27,268
Gross Profit	67,481	70,994	71,092	78,114
Margin (%)	26.8	26.3	25.8	25.6
EBITDA	31,770	40,222	39,042	43,843
YoY gr. (%)	13.9	22.4	30.5	33.1
Margin (%)	12.6	14.9	14.2	14.4
Depreciation / Depletion	9,882	9,146	9,614	10,451
EBIT	21,888	31,076	29,428	33,392
Margin (%)	8.7	11.5	10.7	10.9
Net Interest	397	529	551	614
Other Income	4,753	3,515	20,433	6,901
Profit before Tax	26,244	34,062	49,310	39,679
Margin (%)	10.4	12.6	17.9	13.0
Total Tax	6,243	7,936	10,901	10,036
Effective tax rate (%)	23.8	23.3	22.1	25.3
Profit after Tax	20,001	26,126	38,409	29,643
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	20,001	26,126	38,409	29,643
YoY gr. (%)	(2.9)	(5.3)	13.2	19.1
Margin (%)	7.9	9.7	13.9	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	20,001	26,126	38,409	29,643
YoY gr. (%)	29.1	(5.3)	13.2	19.1
Margin (%)	7.9	9.7	13.9	9.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	20,001	26,126	38,409	29,643
Avg. Shares O/s (m)	1,198	1,198	1,198	1,198
EPS (Rs)	16.7	21.8	32.1	24.7

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	89.4	103.3	114.1	129.2
CEPS	118.0	135.4	153.3	176.6
BVPS	435.9	514.2	602.2	704.4
FCF	36.7	7.1	6.9	7.2
DPS	21.1	25.0	26.0	27.0
Return Ratio(%)				
RoCE	18.0	21.2	20.4	19.9
ROIC	19.3	21.3	19.7	18.7
RoE	22.4	21.7	20.4	19.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.1)
Net Working Capital (Days)	(17)	(15)	(15)	(14)
Valuation(x)				
PER	35.8	31.0	28.0	24.8
P/B	7.3	6.2	5.3	4.5
P/CEPS	27.1	23.6	20.9	18.1
EV/EBITDA	29.4	22.7	19.8	17.1
EV/Sales	3.8	3.3	2.8	2.5
Dividend Yield (%)	0.7	0.8	0.8	0.8

Source: Company Data, PL Research

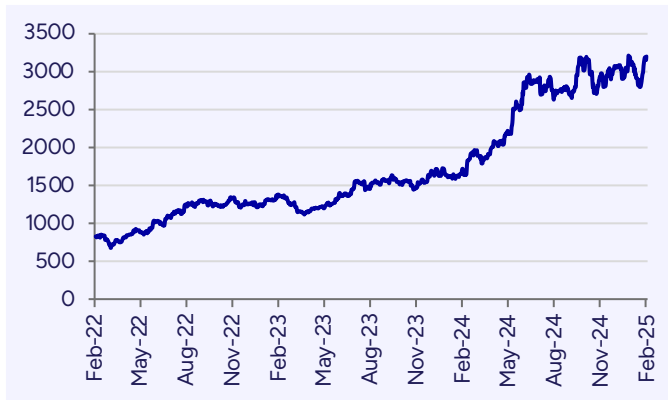
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Tractor Volumes	3,78,386	4,12,559	4,41,949	4,65,922
Auto volumes	8,24,926	9,27,650	10,21,372	11,07,861

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	3,541	3,086
2	28-Nov-24	BUY	3,456	2,899
3	08-Nov-24	BUY	3,456	2,891
4	07-Oct-24	BUY	3,458	3,060
5	23-Sep-24	BUY	3,326	2,951
6	01-Aug-24	BUY	3,330	2,908
7	08-Jul-24	BUY	3,250	2,881
8	18-Jun-24	BUY	3,250	2,929
9	17-May-24	BUY	2,716	2,372
10	08-Apr-24	BUY	2,306	2,013

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	243	223
2	Bajaj Auto	BUY	9,853	8,398
3	Bharat Forge	Accumulate	1,435	1,249
4	CEAT	Hold	3,030	3,044
5	Divgi Torqtransfer Systems	Hold	637	585
6	Eicher Motors	Hold	5,332	5,163
7	Endurance Technologies	BUY	2,698	2,100
8	Exide Industries	Hold	350	343
9	Hero Motocorp	Accumulate	4,662	4,138
10	Mahindra & Mahindra	BUY	3,541	3,086
11	Maruti Suzuki	BUY	14,154	11,978
12	Tata Motors	Hold	733	753
13	TVS Motor Company	Hold	2,461	2,336

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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