

India
November 28, 2024 - 9:35 PM

HOLD (no change)

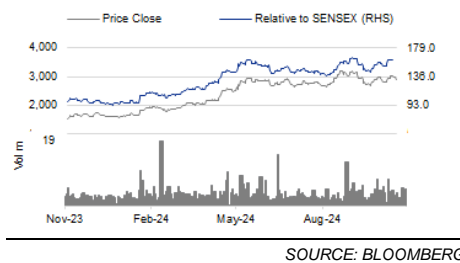
Consensus ratings*: Buy 37 Hold 4 Sell 1

Current price:	Rs2,899
Target price:	Rs2,915
Previous target:	Rs2,915
Up/downside:	0.6%
InCred Research / Consensus:	-14.2%
Reuters:	MAHM.NS
Bloomberg:	MM IN
Market cap:	US\$42,660m
	Rs3,604,617m
Average daily turnover:	US\$121.3m
	Rs10251.2m
Current shares o/s:	1,110.3m
Free float:	81.4%

*Source: Bloomberg

Key financial forecast

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	119,603	126,708	137,830
Core EPS (Rs)	107.72	114.12	124.14
Core EPS Growth	15.6%	5.9%	8.8%
FD Core P/E	26.91	25.40	23.35
Recurring ROE	21.1%	19.2%	18.2%
P/BV (x)	5.26	4.56	3.98
DPS (Rs)	25.00	27.50	30.00
Dividend Yield	0.93%	1.02%	1.12%



Price performance	1M	3M	12M
Absolute (%)	4.2	3.6	85.1
Relative (%)	6.0	7.7	56.7

Major shareholders	% held
Mahindra Family	18.6
LIC	6.7
SBI Mutual Fund	3.8

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Mahindra & Mahindra

Product excitement continues with Born EVs

- The Born EV platform vehicles, BE 6v and XEV 9e, have been launched with bold styling, rich features and introductory aggressive pricing.
- EV performance, despite LFP battery cells, is impressive. However, there are concerns over coupe styling & big production capacity vs. industry EV sales.
- Considering the fast-changing technology in EVs and competitors' EV launch pipeline for CY25F, we remain cautious and maintain our HOLD rating.

Born EV products launched with aggressive initial prices

- Mahindra & Mahindra or M&M launched Born electric SUVs, BE 6e and XEV 9e, that are built on the electric origin architecture, INGLO. The entry-level battery pack offerings of 59kWh have prices starting from Rs1.9m and Rs2.2m, respectively, for BE and XEV vehicles, while the 79kWh battery pack price is yet to be announced.
- The BE 6e flaunts an edgy, athletic and race-inspired agility, whereas the XEV 9e exudes sophistication with its coupe design, blending luxury with dynamic performance.
- LFP blade battery provides a driving range of 450-680km on full charge, with a warranty period of 10 years or 0.2m km.
- Stand-out technologies in the vehicle are brake-by-wire with integrated electronic booster (IEB), and a high-power steering with a variable gear ratio (VGR).

XEV9e looks promising

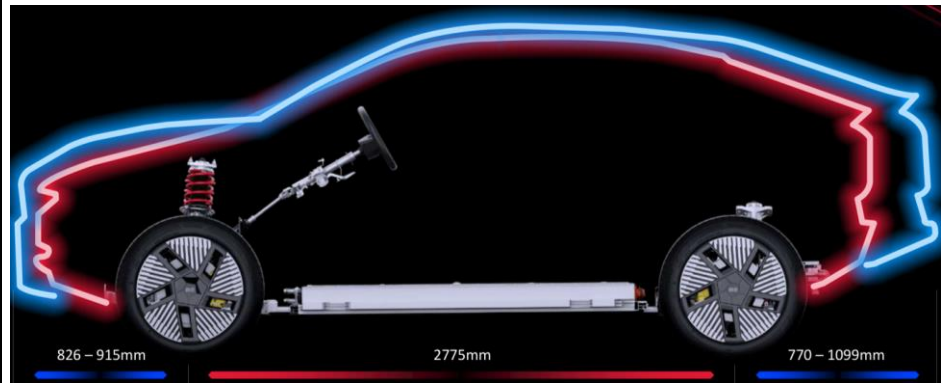
- Management indicated that Rs45bn capex was incurred for platform and product development, with a production capacity of 90,000 vehicles per annum.
- The test drive at its Chennai R&D test track provides a good first impression of XEV9e, while BE 6e may have limited customer appeal. With aggressive styling and a feature-rich product, M&M takes pole position in differentiated EV SUVs. Pulling out good vehicle performance, despite LFP cell limitations and just 142Wh/kg, is certainly impressive.
- Management indicated that each model is targeted at an addressable car market of 40,000-plus units per month. But considering that coupe body styling had a limited appeal to Indian customers till date, it seems to be an initial challenge that needs to be overcome. Considering the current EV industry volume of around 7-10,000 vehicles per month across the car price range of Rs1-4m, M&M's EV capacity of 7,500 units per month looks ambitious to begin with. Also, the expected launch of Hyundai Creta EV and Maruti Suzuki-born EV in CY25F will be keenly monitored.
- M&M's Born EV launch creates excitement for new technology with aggressive price points, which could fetch good bookings. However, considering the new battery technology, its stability under Indian driving conditions will be keenly watched. While it can provide an additional 4,000 per month volume to the SUV division, the EBITDA benefit will be insignificant. We maintain our HOLD rating on the stock with a target price of Rs2,915 as the forward P/E is rich at +1SD above the mean level, adjusted for subsidiaries' value of Rs691/share.

Figure 1: Born EV vehicles' specifications

	BE 6e	XEV 9e
Introductory ex-showroom price starts at	Rs1.89m onwards	Rs2.19m onwards
Battery	79kWh / 59kWh	79kWh / 59 kWh
Range (MIDC P1+P2) km	682 / 535 (79kWh / 59kWh battery)	656 / 542 (79kWh / 59kWh battery)
Motor power	210kW / 170kW (79kWh / 59kWh battery)	210kW / 170kW (79kWh / 59kWh battery)
Motor torque	380Nm	380Nm
AC charging time (0-100% SOC)	79 kWh: 8 / 11.7 h (11kW / 7.2kW Charger) 59 kWh: 6 / 8.7 h (11kW / 7.2kW charger)	79 kWh: 8 / 11.7 h (11kW / 7.2kW Charger) 59 kWh: 6 / 8.7 h (11kW / 7.2kW charger)
DC charging time (20-80% SOC)	79 kWh: 20 min (min 175 kW charger input) 59 kWh: 20 min (min 140 kW charger input)	79 kWh: 20 min (min 175 kW charger input) 59 kWh: 20 min (min 140 kW charger input)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Both the models, BE 6e and XEV 9e, are based on the INGLO platform



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: The INGLO platform enables M&M's core SUV DN



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Life-time battery warranty for the first registered owner

Break-through Battery Technology with 35 patents*

Advanced LFP Blade Cell
79 & 59 kWh

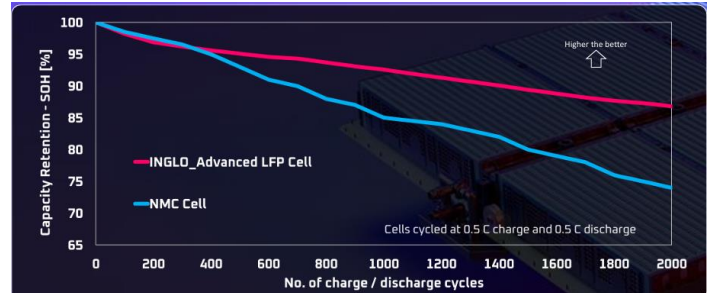
Best-in-class LFP Energy Density
141.5 Wh/kg

High Efficiency
400 to 465 V

Cell to pack technology | Compact Lean Module | Bottom Transverse Cooling | Nail Penetration Robustness

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: LFP battery's better lifecycle provides hope over NMC



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	992,682	1,171,631	1,309,124	1,459,598
Gross Profit	252,619	298,766	329,899	364,899
Operating EBITDA	134,243	164,530	177,512	195,052
Depreciation And Amortisation	(34,389)	(40,845)	(49,125)	(57,405)
Operating EBIT	99,854	123,686	128,387	137,647
Financial Income/(Expense)	(1,388)	(2,300)	(2,600)	(2,000)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	32,955	33,943	36,659	41,058
Profit Before Tax (pre-EI)	131,421	155,329	162,446	176,705
Exceptional Items				
Pre-tax Profit	131,421	155,329	162,446	176,705
Taxation	(27,978)	(35,726)	(35,738)	(38,875)
Exceptional Income - post-tax				
Profit After Tax	103,443	119,603	126,708	137,830
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	103,443	119,603	126,708	137,830
Recurring Net Profit	103,443	119,603	126,708	137,830
Fully Diluted Recurring Net Profit	103,443	119,603	126,708	137,830

Balance Sheet

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	139,726	134,592	139,281	178,394
Total Debtors	45,495	70,619	75,319	91,975
Inventories	95,048	112,348	125,532	131,964
Total Other Current Assets	50,204	55,704	62,204	68,704
Total Current Assets	330,473	373,263	402,337	471,037
Fixed Assets	212,615	251,770	302,646	325,241
Total Investments	215,487	237,487	264,487	294,487
Intangible Assets				
Total Other Non-Current Assets				
Total Non-current Assets	428,103	489,258	567,133	619,728
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	185,920	203,270	219,990	242,933
Other Current Liabilities				
Total Current Liabilities	185,920	203,270	219,990	242,933
Total Long-term Debt	15,849	10,849	5,849	849
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	15,849	10,849	5,849	849
Total Provisions	34,265	36,015	37,515	39,015
Total Liabilities	236,033	250,133	263,354	282,797
Shareholders Equity	522,766	612,388	706,116	807,969
Minority Interests				
Total Equity	522,766	612,388	706,116	807,969

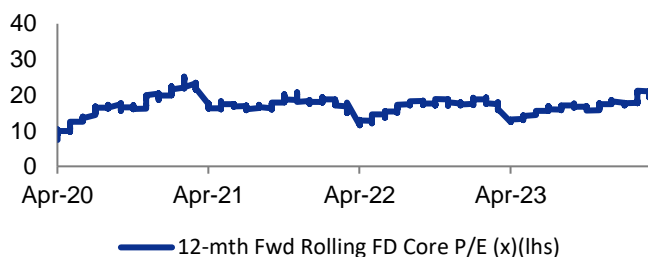
Cash Flow

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	134,243	164,530	177,512	195,052
Cash Flow from Invt. & Assoc.				
Change In Working Capital	3,151	(25,074)	(1,165)	(144)
(Incr)/Decr in Total Provisions	(12,929)	(3,750)	(5,000)	(5,000)
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	8,313			
Net Interest (Paid)/Received	31,567	31,643	34,059	39,058
Tax Paid	(27,978)	(35,726)	(35,738)	(38,875)
Cashflow From Operations	136,367	131,624	169,668	190,091
Capex	(44,544)	(79,777)	(100,000)	(80,000)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow	(29,083)	(32,533)	(37,000)	(37,000)
Cash Flow From Investing	(73,627)	(112,310)	(137,000)	(117,000)
Debt Raised/(repaid)	(30,588)	(5,000)	(5,000)	(5,000)
Proceeds From Issue Of Shares	6			
Shares Repurchased				
Dividends Paid	(28,482)	(29,981)	(32,979)	(35,977)
Preferred Dividends				
Other Financing Cashflow	9,410			
Cash Flow From Financing	(49,654)	(34,981)	(37,979)	(40,977)
Total Cash Generated	13,085	(15,667)	(5,311)	32,114
Free Cashflow To Equity	32,151	14,314	27,668	68,091
Free Cashflow To Firm	64,127	21,614	35,268	75,091

Key Ratios

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	16.8%	18.0%	11.7%	11.5%
Operating EBITDA Growth	28.6%	22.6%	7.9%	9.9%
Operating EBITDA Margin	13.5%	14.0%	13.6%	13.4%
Net Cash Per Share (Rs)	111.57	111.45	120.18	159.91
BVPS (Rs)	470.83	551.55	635.96	727.70
Gross Interest Cover	71.96	53.78	49.38	68.82
Effective Tax Rate	21.3%	23.0%	22.0%	22.0%
Net Dividend Payout Ratio	27.5%	25.1%	26.0%	26.1%
Accounts Receivables Days	15.79	18.09	20.34	20.92
Inventory Days	45.34	43.36	44.33	42.93
Accounts Payables Days	88.13	81.37	78.88	77.18
ROIC (%)	41.2%	42.7%	33.5%	29.9%
ROCE (%)	19.0%	20.7%	18.8%	17.7%
Return On Average Assets	14.6%	15.0%	14.0%	13.5%

12-mth Fwd Rolling FD Core P/E (x)



Key Drivers

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	7.2%	3.4%	2.5%	2.0%
Unit sales grth (% , main prod./serv.)	9.0%	14.1%	9.0%	9.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.