

Mahindra & Mahindra (MM) - BUY

Q3FY26 Result Update

Current Market Price (CMP) Rs.3397	Fair Value Rs.4300
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Rationale:

- Segmental profitability was ahead of our expectations for the auto/tractor segments.
- We expect M&M to continue to outperform industry growth in tractor/CV segments.
- Product launches in CY26E should aid in sustenance of the market share in SUV.
- M&M continues to execute well by maintaining leadership position in all 3 segments.
- We expect EPS (earnings per share) growth of 9.6% in FY27E and 9.6% in FY28E.
- Retain BUY with revised FV of Rs4,300 (Rs4,350 earlier), based on SoTP methodology.
- We value the core business at 23x FY28E EPS; reduction in fair value was mainly driven by lower value of subsidiaries.

👍 Positives:

- Automotive division saw 23% yoy increase in volumes.
- Auto EBIT margin was at 9.7% (+50 bps qoq), 30 bps higher than our estimates.
- Tractor division's revenues rose 25% yoy, driven by 23% yoy increase in volumes.
- Tractor's EBIT margin was at 20.5% (+240 bps yoy), 40 bps above our estimates.

👎 Negatives:

- Standalone EBITDA was 5% below our estimates; below expected ASP/RM headwinds.
- MEAL subsidiary's profitability impacted owing to higher marketing spends.

(EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; ASP: Average Selling Price; SoTP: Sum of the Parts; EBIT: Earnings Before Interest and Tax; MEAL: Mahindra Electric Automobile Limited; CV: Commercial Vehicle; SUV: Sport Utility Vehicle; RM: Raw Material)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months