MAHINDRA & MAHINDRA LIMITED

Decent Q4, FES growth moderation a concern for H2

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M&M reported a a steady performance in Q4FY26, with standalone revenue rising by 26.2% YoY to ₹395 bn. EBITDA margin was a lower by 140 bps both QoQ and YoY to 14.2%, led by rising commodity costs. PBT stood at ₹49.8 bn, up 22.6% YoY and 11.6% QoQ. Adjusted PAT came in at ₹38.4 bn, growing 21.7% YoY and 31.7% QoQ. Segment-wise, the Automotive business posted revenue of ₹311 bn, up 25% YoY, while the Farm Equipment segment reported revenue of ₹84.4 bn, up 32% YoY. EBIT margin for the Automotive segment was up by 20 bps yoy to 9.5%, while the Farm Equipment segment saw margins steady at 19.4% YoY, but down by 80 bps QoQ.

M&M to continue outperforming industry growth

M&M continues to have a healthy launch pipeline, which is expected even in the long run. It targets to launch ten ICE SUVs, six BEVs, and ten LCVs (of which two would be EVs) by 2031. Of this, in CY26, the company targets to launch three ICE SUVs (two mid-cycle enhancements), two BEVs, and two LCVs (of which one would be EV in the <3.5T segment). Driven by new launches, we expect M&M to continue outperforming industry growth. The management has guided for a mid to high teens growth in SUV segment for FY27. We have assumed M&M to post a conservative 13% volume growth in UVs in FY27E as competition may act as a dampener in the heated up SUV space.

FES segment to see growth moderation due to base effect, El Nino

Sentiments in the FES segment are still very robust, given 1) healthy water reservoir levels, and 2) Positive rural sentiments which have further been boosted by the recent GST rate cuts. On the back of these favorable factors, the demand traction in the tractor industry which we witnessed in FY26 is expected to continue in H1 on low base of H1 FY26. Although we expect high base to impact tractor industry in the second half, the first half shall remain quite robust on higher rural spending by the government providing impetus to the non-agri income of rural households as well. Given the upcoming tractor launches by M&M and higher farm equipment revenue we expect the company to combat the tepid second half growth. We have factored in a 5% volume growth for the industry in FY27. El Nino occurrence and weak rainfall may lead us to revisit our estimates.

M&M to capitalize on market leadership in the below-3.5T LCV category

M&M maintains a dominant position in the below-3.5T segment, where its market share improved by 60bps to 52.3% in FY26. The pick-up segment is now seeing a demand revival from the e-commerce segment, especially post-GST rate cuts, which have made them affordable. Given the demand visibility, management now expects the LCV segment to grow at a high single digit growth in FY27E. We assume M&M to clock 9% volume growth in this segment in FY27E.

Key Financials	FY25	FY26	FY27E	FY28E
Total sales (₹ bn)	1,186	1,478	1,679	1,916
EBITDA margins (%)	16.2	15.7	15.1	15.5
PAT margins (%)	10.7	11.1	11.0	11.3
EPS (₹)	105.8	136.7	153.5	180.4
P/E (x)	30.4	23.5	20.9	17.8
P/BV (x)	6.3	5.2	4.3	3.6
EV/EBITDA (x)	18.8	15.5	13.9	11.6
ROE (%)	20.6	22.1	20.7	20.4
Dividend yield (%)	0.6	0.8	1.0	1.1

BUY

Current Market Price (₹)	3,211
12M Price Target (₹)	4,225
Potential Return (%)	32

Stock Data		
Sector	:	Autos & FES
Face Value (₹)	:	5
Total MCap (₹ bn)	:	4,005
Free Float MCap (₹ bn)	:	2,870
52-Week High / Low (₹)	:	3,839 / 2,888
BSE Code / NSE Symbol	:	500520 / M&M
Bloomberg	:	MM IN
Sensex / Nifty	:	77,018 / 24,033

Shareholding Pattern

(%)	Mar-26	Dec-25	Sep-25	Jun-25
Promoter	18.45	18.44	18.44	18.44
FPIs	36.22	37.49	38.04	38.54
MFs	17.25	16.61	16.35	15.39
Insurance	10.70	10.51	10.57	11.31
Others	17.38	16.95	16.60	16.32

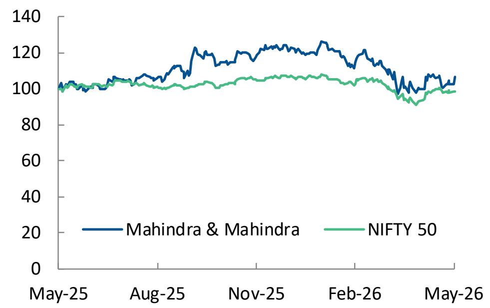
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
M&M	6.6	-10.1	-10.3	6.3
Nifty 50	5.8	-6.3	-6.1	-1.8

** To date / current date : May 5, 2026*

M&M vs Nifty 50



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Value unlocking in growth gems provides option value

M&M has identified nine businesses as its growth gems and has set an ambitious target of achieving 5x growth in 5-7 years for each of these segments. M&M is now looking to launch the IPO of the Last Mile Mobility business next year. Any incremental value unlocked in any or all of the growth gems in the coming years is likely to provide additional returns for M&M shareholders.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q4FY26	Q3FY26	*QoQ*	Q4FY25	*YoY*
Net sales	**3,95,541**	**3,85,168**	***2.7%***	**3,13,534**	***26.2%***
Raw material costs	3,02,213	2,93,455	*3.0%*	2,32,300	*30.1%*
Employee costs	13,015	13,888	*-6.3%*	12,686	*2.6%*
Other expenses	24,670	21,150	*16.6%*	21,725	*13.6%*
EBITDA	**56,112**	**60,924**	***-7.9%***	**49,377**	***13.6%***
EBITDA margins %	*14.2%*	*15.6%*	*(140 bps)*	*15.6%*	*(140 bps)*
Other income	6,439	6,978	*-7.7%*	5,125	*25.6%*
Depreciation	12,006	10,406	*15.4%*	13,058	*-8.1%*
Interest expenses	715	590	*21.2%*	810	*-11.7%*
PBT	**49,830**	**44,635**	***11.6%***	**40,635**	***22.6%***
Tax	11,440	15,489	*-26.1%*	9,079	*26.0%*
Reported PAT	**37,372**	**45,205**	***-17.3%***	**24,370**	***53.4%***
Exceptional items	1,017	16,059	N/A	7,185	N/A
Adjusted PAT	**38,390**	**29,146**	***31.7%***	**31,556**	***21.7%***
Adj EPS	31.99	24.29	*31.7%*	26.30	*21.7%*

Source: Company, LKP Research

SOTP Valuation

Particulars	Basis	Subs Discount	Value per share (₹)
M&M Standalone	**P/E (@21x FY 28E EPS)**	**-**	**3,789**
M&M Financial Services	Market cap	20%	133
Tech Mahindra	Market cap	20%	243
Mahindra Lifespaces	Market cap	20%	18
Mahindra Logistics	Market cap	20%	11
Mahindra Holiday & Resorts	Market cap	20%	10
Swaraj Engines	Market cap	20%	17
RBL	Market cap	20%	5
Subsidiaries Total SOTP value			**436**
Total			**4,225**

Source: Company, LKP Research

Outlook & valuation

We believe M&M is well placed to outperform across its core businesses, led by a healthy recovery in rural areas and new product launches in UVs, LCVs and tractors. We estimate M&M to post a CAGR of ~14%/13%/15% in revenue/EBITDA/PAT over FY26-28E. While M&M has outperformed its own targets of earnings growth and RoE of 18%, it remains committed to delivering 15-20% EPS growth and 18% RoE (>20% in FY 26), ensuring sustained profitability and shareholder value. Reiterate BUY with a reduced TP of ₹4,225 (based on a SA value of 3,789 valued at 21x FY28E earnings and subs value of ₹436). We have cut down the estimates and target price on the back of higher commodity costs, heightening of competition and moderation expected in FES segment.

Conference Call Highlights

- SUV volumes rose 20% to 660k units in FY 26, reinforcing M&M's position as the #1 SUV player, with a revenue market share of 25.3%, up 260 bps YoY.
- The LCV market share grew by 60 bps, while FES market share was at highest ever of 43,6%. EV market share was 31.4% making M&M #2 player, while EV revenue market share was at 37.7% with #1 position.
- In terms of new launches, M&M has already launched the new XUV7XO in Jan26. It also plans to launch two new refreshes in the ICE segment in 2026. In EVs, it has already launched the XEV 9S. There are no new EV launches scheduled for this CY. In LCVs, it plans to launch two LCV variants in CY26.
- The company plans 19 new tractor launches in FY '27, comprising seven all-new models and 12 with new features
- XUV7X0 continues to witness robust demand with a strong order pipeline of 9.5K per month. Management highlighted that ~70% of bookings are skewed towards top-end variants. XEV 9S has billed 7.4K vehicles billed in Q4.
- The LCV Udo launched in mid Feb has already billed 7.5K+ vehicles within two months of launch.
- EV globalization will follow a calibrated approach, prioritizing right-hand-drive markets (Australia, New Zealand, potentially the UK), post which it would selectively look to enter left-hand-drive European markets.
- PLI benefits for EVs are accruing selectively: XEV 9E (all variants) and XEV 9S Pack 3+ are already eligible, while the Pack 1 and 2 variants of the 9S and BE 6 variants are expected to qualify by Q1 FY27. M&M received ₹5 bn PLI benefit in Q4.
- Capacity expansion plans remain well-defined: Debottlenecking at Chakan and Nashik in CY26 will add ~6k–7k units/month across Scorpio N, Thar and Bolero; CY27E will see NU_IQ platform launches (Vision S/Vision T) at Chakan; CY28 will add a Greenfield Nagpur facility for Vision X and select high-growth products, with Igatpuri available for incremental production if required.
- EV capacity will increase by ~4k units in FY27E, ICE capacity by another ~10k units from Chakan in CY27E. The NU_IQ platform will add ~10k units in CY28E, with the platform scaling to 500k units over time.

Income Statement

(₹ mn)	FY25	FY26	FY27E	FY28E
Total Revenues	**11,86,245**	**14,77,654**	**16,78,961**	**19,16,456**
Raw Material Cost	8,63,401	11,07,660	12,69,294	14,39,258
Employee Cost	48,815	52,903	58,764	65,160
Other Exp	81,396	85,420	97,380	1,14,987
EBITDA	**1,92,634**	**2,31,670**	**2,53,523**	**2,97,051**
EBITDA Margin(%)	*16.2*	*15.7*	*15.1*	*15.5*
Other Income	17,119	27,749	31,900	34,496
Depreciation	42,268	42,927	43,880	48,190
Interest	2505	2496	2100	2000
PBT	**1,64,980**	**2,13,997**	**2,39,444**	**2,81,357**
PBT Margin(%)	*13.9*	*14.5*	*14.3*	*14.7*
Tax	37,952	49,853	55,072	64,712
Adj PAT	**1,27,029**	**1,64,144**	**1,84,372**	**2,16,645**
Adj PAT Margins (%)	*10.7*	*11.1*	*11.0*	*11.3*
Exceptional items	8479	7754	0	0
Reported PAT	**1,35,508**	**1,71,899**	**1,84,372**	**2,16,645**
Rep. PAT Margins (%)	*11.4*	*11.6*	*11.0*	*11.3*

Key Ratios

YE Mar	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
Adj. EPS	105.8	136.7	153.5	180.4
CEPS	133.9	166.0	190.1	220.6
BVPS	512.9	619.0	741.8	886.1
DPS	19.7	26.0	30.7	36.1
Growth Ratios(%)				
Total revenues	19.7	24.6	13.6	14.1
EBITDA	46.5	20.3	9.4	17.2
PAT	19.4	29.2	12.3	17.5
EPS Growth	18.3	29.2	12.3	17.5
Valuation Ratios (X)				
PE	30.4	23.5	20.9	17.8
P/CEPS	24.0	19.4	16.9	14.6
P/BV	6.3	5.2	4.3	3.6
EV/Sales	3.1	2.5	2.1	1.8
EV/EBITDA	18.8	15.5	13.9	11.6
Operating Ratios (Days)				
Inventory days	43.7	34.0	32.0	32.0
Recievable Days	16.1	15.3	15.0	15.0
Payables day	88.8	87.2	86.0	80.0
Net Debt/Equity (x)	0.02	0.01	0.01	0.00
Profitability Ratios (%)				
ROE	20.6	22.1	20.7	20.4
Dividend payout	18.7	19.1	20.0	20.0
Dividend yield	0.6	0.8	1.0	1.1

Balance Sheet

(₹ mn)	FY25	FY26	FY27E	FY28E
Equity and Liabilities				
Equity Share Capital	6,004	6,010	6,010	6,010
Reserves & Surplus	6,09,847	7,37,241	8,84,739	10,58,054
Total Networth	6,15,851	7,43,252	8,90,749	10,64,065
Total debt	43,211	43,890	43,890	43,890
Deferred tax liabilities	16,629	14,510	14,510	14,510
Curr. liabilities & Provisions	3,20,798	4,04,375	4,08,443	4,24,830
Total Liabilities	**9,96,489**	**12,06,027**	**13,57,592**	**15,47,295**
Assets				
Fixed assets	2,35,327	2,49,730	2,65,850	3,07,660
Non current Investments	2,23,786	2,75,471	3,35,471	3,95,471
Other non current assets	60,737	87,281	87,281	87,281
Current Assets	4,76,639	5,93,545	6,68,990	7,56,883
Cash and bank(i)	12,644	7,608	10,089	23,322
Bank deposits other than(i)	95,262	1,77,191	1,77,791	1,77,791
Inventories	1,03,333	1,03,059	1,11,281	1,26,182
Sundry Debtors	57,256	64,858	68,998	78,758
Loan, Advances & others	11,695	21,505	21,505	21,505
Other current assets	2,91,711	3,96,516	4,57,116	5,07,116
Total Assets	**9,96,489**	**12,06,027**	**13,57,592**	**15,47,295**

Cash Flow

(₹ mn)	FY25	FY26	FY27E	FY28E
PBT	**1,56,501**	**2,07,224**	**2,39,444**	**2,81,357**
Depreciation	42,268	42,927	43,880	48,190
Interest	2,505	2,496	2,100	2,000
Chng in working capital	26,023	61,784	(8,295)	(8,274)
Tax paid	(35,415)	(48,696)	(55,072)	(64,712)
Other operating activities	(25,709)	(38,150)	0	0
CF from operations (a)	**1,66,172**	**2,27,585**	**2,22,056**	**2,58,561**
Capital expenditure	(46,489)	(60,786)	(60,000)	(90,000)
Chng in investments	(67,337)	1,61,727	(1,20,000)	(1,10,000)
Other investing activities	(24,914)	(2,98,272)	(600)	0
CF Investing (b)	**(1,38,740)**	**(1,97,331)**	**(1,80,600)**	**(2,00,000)**
Free cash flow (a+b)	27,432	30,255	41,456	58,561
Inc/dec in borrowings	(6,171)	(2,776)	0	0
Dividend paid (incl. tax)	(26,196)	(31,419)	(36,874)	(43,329)
Other financing activities	0	0	0	0
CF flow from financing (c)	**(33,548)**	**(35,291)**	**(38,974)**	**(45,329)**
Net chng in cash (a+b+c)	**(6,117)**	**(5,036)**	**2,482**	**13,232**
Closing cash & cash eqlts	**12,644**	**7,608**	**10,089**	**23,322**

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