ANANDRATHI

India I Equities

Auto
Result Update

Change in Estimates ☑ Target ☑ Reco ☐

30 July 2026

Mahindra & Mahindra

Growth to taper down, limited upside potential; maintain HOLD

Rating: **HOLD**
Target Price (12-mth): Rs.3,675
Share Price: Rs.3,284

Mahindra & Mahindra (M&M) reported a lower-than-estimated operating performance in Q1FY27, with its standalone EBITDA growing by 5% y/y to Rs51.1bn (vs. our estimate of Rs55.8bn), owing to a lower-than-estimated automotive margin. Looking ahead, the company's volume growth is expected to taper down in FY27/28e to about mid-single digit due to absence of PV market-share gain and slide in tractor industry. We expect M&M to grow broadly in-line with PV market, as demand shifts towards small cars (due to lower GST and adverse-mix), lack of major launches (mainly mid-cycle enhancements) and more model launches by competition. We expect M&M's revenue/PAT to clock 11/8% CAGR over FY26-28e. We maintain HOLD rating on the stock with a revised SOTP-based TP of Rs3,675 (from Rs4,050 earlier), valuing it at 22x Mar-28e EPS (from 26x previously) for standalone + MEAL and Rs725 for investments.

Operating Profit Slips Estimate: M&M's standalone revenue grew 23% y/y to Rs419.2bn vs. our estimate of Rs434.4bn due to lower-than-expected realisation across auto and farm. Auto volume grew 18% and realisation increased by 5%. Tractor volume grew 18%, while realisation grew rose by 1%. EBITDA grew by 5% y/y to Rs51.1bn, lower than our estimate of Rs55.8bn, mainly due to miss on automotive margin front. EBITDA margin contracted by 210bps y/y and 190bps q/q to 12.2% (vs. our estimate of 12.9%). Auto segment's EBIT margin contracted by 180bps y/y and 240bps q/q to 7.1%, while Farm segment's EBIT margin fell by 130bps y/y and 80bps q/q to 18.5%. Other income surged 27% y/y to Rs8.2bn. Depreciation grew by 5% y/y to Rs10.5bn. APAT grew by 7% y/y to Rs36.85bn (broadly in-line with our estimate of Rs38.4bn), owing to higher other income and lower depreciation cost.

Performance of Core Subsidiaries: Auto subsidiaries' EBIT profit stood at Rs4.4bn in Q1FY27 vs. Rs2.3bn in Q4FY26. Farm subsidiaries' EBIT loss reduced to Rs2.5bn from Rs6.3bn in Q4FY26.

Management Commentary: (a) Tractor demand continues to remain healthy as of now, supported by acceleration of mechanisation due to labour shortages, Rabi cash flows and higher government spending; **(b)** The management believes auto margin, which has bottomed, would improve going forward; and **(c)** However, it expects farm margin to witness more pressure in Q2FY27e, due to unhedged exposure related to steel/rubber.

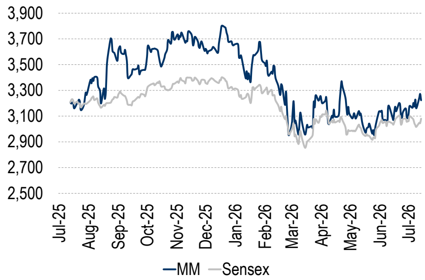
Outlook and Valuation: We trim our core EPS (P+MEAL) estimate by 7% for FY27e owing to commodity inflation, while keeping FY28e core EPS broadly unchanged, on the back of expected recovery in auto margin, led by price hikes. At CMP, the stock trades at core P/E of 22/19x FY27/28e EPS, close to past three-year mean of 21x. We maintain HOLD rating on the stock with an SOTP-based TP of Rs3,675 (from Rs4,050 earlier), valuing it at 22x Mar-28e EPS (from 26x previously). We have lowered our multiple from 26x to 22x due to slowing SUV growth and adverse tractor cycle outlook. **Key Downside Risks:** (a) Lower-than-expected domestic industry volume trends; (b) higher competitive intensity; (c) lower-than-expected success of new product; and (d) adverse commodity prices.

Key Data	MM IN / MAHM.BO
52-week high / low	Rs3840 / 2896
Sensex / Nifty	77928 / 24317
Market cap	Rs3870bn
Shares outstanding	1201m

Shareholding Pattern (%)	Jun'26	Mar'26	Dec'25
Promoters	18.5	18.5	18.4
- *of which, Pledged*	-	-	-
Free float	81.6	81.6	81.6
- Foreign institutions	34.9	36.2	37.5
- Domestic institutions	32.6	31.4	30.4
- Public	14.1	14.0	13.7

Estimates Revision (%) – P+MEAL	FY27e	FY28e
Sales	3.6	5.8
EBITDA	-7.3	2.6
Core EPS	-7.0	3.5

Relative Price Performance



Source: Bloomberg

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Quick Glance – Financials and Valuations (Standalone)

Fig 1 – Income Statement (Rs bn)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Volumes (m)	**1,143**	**1,256**	**1,507**	**1,654**	**1,682**
Revenues	**991**	**1,165**	**1,456**	**1,713**	**1,791**
Growth (%)	*17*	*18*	*25*	*18*	*5*
Raw material	740	863	1,108	1,341	1,385
Employee & other exp.	120	130	138	160	170
EBITDA	**131**	**171**	**210**	**212**	**237**
EBITDA margins (%)	13.3	14.7	14.4	12.4	13.2
- Depreciation	35	42	43	47	52
Other income	39	30	43	47	52
Interest expense	1	3	2	3	2
PBT	135	157	208	210	234
Effective tax rates (%)	21	24	24	24	24
Adjusted income	**106**	**119**	**157**	**159**	**178**
Extraordinary items	0	0	1	0	0
Reported PAT	106	119	156	159	178
WANS	1	1	1	1	1
FDEPS (Rs)	86	95	127	128	143

Fig 2 – Balance Sheet (Rs bn)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	6	6	6	6	6
Net worth	523	616	743	862	996
Debt (incl. Pref)	21	17	17	14	10
DTL / (Assets)	16	17	15	15	15
Capital employed	**559**	**649**	**774**	**891**	**1,021**
Net tangible assets	178	197	197	259	297
CWIP (tang. & intang.)	38	39	53	53	53
Investments (strategic)	207	224	275	325	375
Investments (financial)	85	131	145	220	295
Current assets (excl. cash)	273	298	351	413	432
Cash	57	108	185	112	84
Current liabilities	278	347	432	491	515
Working capital	-5	-49	-81	-78	-83
Capital deployed	**559**	**649**	**774**	**891**	**1,021**
Contingent liabilities	-	-	-	-	-

Fig 3 – Cash-flow Statement (Rs bn)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
PBT	**135**	**157**	**207**	**210**	**234**
+ Non-cash items	13	15	12	50	54
Oper. profit before WC changes	148	172	219	259	289
- Incr. / (decr.) in WC	-9	-26	-62	3	-0
Others incl. taxes	42	31	53	50	56
Operating cash-flow	**115**	**166**	**228**	**206**	**233**
- Capex (tangible + intangible)	48	46	61	108	90
Free cash-flow	**66**	**120**	**167**	**98**	**143**
- Div. (incl. buyback & taxes)	20	26	31	40	40
+ Equity raised	0	0	0	0	0
+ Debt raised	-32	-6	-3	-3	-4
- Financial investments	5	92	137	125	125
- Misc. items (CFI + CFF)	-3	-56	-81	3	2
Net cash-flow	**12**	**51**	**77**	**-72**	**-28**

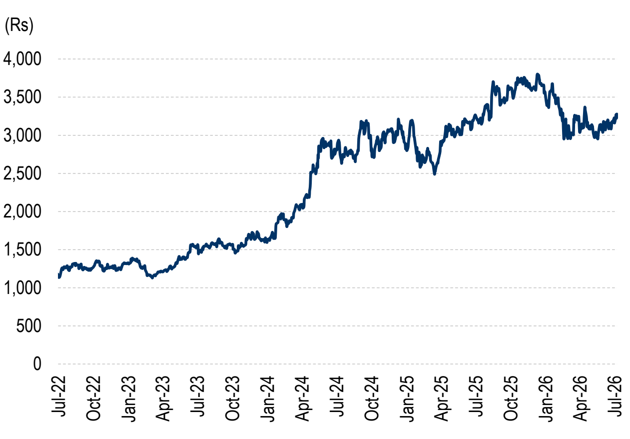
. Source: Company, Anand Rathi Research

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
P/E (x)	38	34	26	26	23
Core P/E (x)	35	32	23	23	20
EV / EBITDA (x)	30	23	18	18	16
EV / Sales (x)	4	3	3	2	2
P/B (x)	8	7	5	5	4
RoE (%)	22	21	23	22	19
RoCE (%) - after tax	19	20	22	19	19
RoIC (%) - after tax	39	51	74	71	61
DPS (Rs)	21	25	33	33	37
Dividend yield (%)	0.6	0.8	1.0	1.0	1.1
Dividend payout (%)	24	26	25	25	25
Net debt / equity (x)	-0.2	-0.4	-0.4	-0.4	-0.4
Receivables (days)	17	18	16	16	16
Inventory (days)	36	32	26	26	26
Payables (days)	90	95	95	92	92
CFO : PAT (%)	108	140	145	130	131

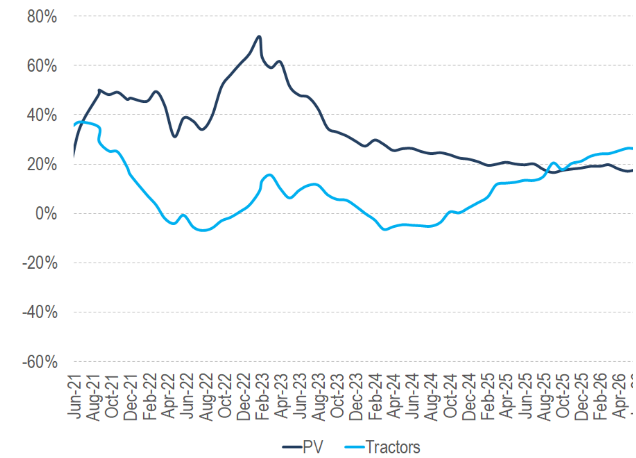
Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Source: Bloomberg

Fig 6 – M&M Domestic PV and Tractor TTM Growth (%)



Source: Company

Result Highlights

Fig 7 – Quarterly Performance – Standalone

(Rs m)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	Y/Y (%)	Q/Q (%)
Revenue	**3,40,832**	**3,34,216**	**3,85,168**	**3,95,541**	**4,19,197**	**23.0**	**6.0**
Expenditure	**2,91,993**	**2,85,601**	**3,28,492**	**3,39,898**	**3,68,092**	**26.1**	**8.3**
as % of sales	85.7	85.5	85.3	85.9	87.8		
Consumption of RM	2,59,207	2,52,786	2,93,455	3,02,213	3,26,943	26.1	8.2
as % of sales	76.1	75.6	76.2	76.4	78.0		
Employee cost	13,017	12,984	13,888	13,015	14,062	8.0	8.0
as % of sales	3.8	3.9	3.6	3.3	3.4		
Other expenditure	19,769	19,832	21,150	24,670	27,087	37.0	9.8
as % of sales	5.8	5.9	5.5	6.2	6.5		
EBITDA	**48,840**	**48,615**	**56,676**	**55,644**	**51,106**	**4.6**	**(8.2)**
Depreciation	9,999	10,406	10,516	12,006	10,503	5.0	(12.5)
EBIT	**38,841**	**38,209**	**46,160**	**43,638**	**40,602**	**4.5**	**(7.0)**
Other income	6,431	23,076	7,476	5,890	8,154	26.8	38.4
Interest	559	590	632	715	997	78.3	39.4
PBT	**44,713**	**60,695**	**53,005**	**48,812**	**47,759**	**6.8**	**(2.2)**
Total tax	10,214	15,489	12,710	11,440	10,909	6.8	(4.6)
Adj. PAT	**34,498**	**45,205**	**40,295**	**37,373**	**36,850**	**6.8**	**(1.4)**
Extraordinary items	-	-	(982)	-	-		
Reported PAT	**34,498**	**45,205**	**39,313**	**37,373**	**36,850**	**6.8**	**(1.4)**
Margins (%)						**(bps)**	**(bps)**
Gross	23.9	24.4	23.8	23.6	22.0	-194	-159
EBITDA	14.3	14.5	14.7	14.1	12.2	-214	-188
EBIT	11.4	11.4	12.0	11.0	9.7	-171	-135
PAT	10.1	13.5	10.5	9.4	8.8	-133	-66
Effective tax rates	22.8	25.5	24.0	23.4	22.8	-0	-59

Source: Company

Fig 8 – Change in Estimates – Standalone + MEAL

	Old Estimates		New Estimates		Change (%)	
(Rs m)	FY27e	FY28e	FY27e	FY28e	FY27	FY28
Auto volume	10,95,107	11,42,209	11,07,009	11,59,377	1.1	1.5
Tractor volume	5,40,939	5,17,135	5,46,720	5,22,648	1.1	1.1
Total volume	16,36,046	16,59,344	16,53,729	16,82,025	1.1	1.4
Revenue	16,82,235	17,31,970	17,43,274	18,31,658	3.6	5.8
EBITDA	2,54,306	2,59,266	2,35,822	2,66,032	-7.3	2.6
% of revenue	15.1	15.0	13.5	14.5		
Core PAT	1,58,695	1,60,954	1,47,569	1,66,570	-7.0	3.5
APAT	1,79,939	1,83,898	1,67,274	1,87,947	-7.0	2.2
Core EPS (Rs)	127.7	129.5	118.7	134.0	-7.0	3.5

Source: Anand Rathi Research

Fig 9 – Q1 FY27 Actual vs. Estimates

Rs m	Actual	Estimates	Variance (%)	Consensus	Variance (%)
Revenue	4,19,197	4,34,417	(3.5)	4,18,450	0.2
EBITDA	51,106	55,835	(8.5)	53,536	(4.5)
EBITDA margin (%)	12.2	12.9	(66) bps	12.8	(60) bps
Adj. net income	36,850	38,384	(4.0)	35,692	3.2
FDEPS (Rs)	29.6	30.9	(4.0)	28.7	3.2

Source: Company, Bloomberg

Earnings Concall – Key Highlights

- **Volume Guidance:** The management has maintained volume guidance for FY27e (SUV: mid-teens; LCV: high-single digit and Tractors: mid-single digit).
- Tractor demand continues to be healthy as of now, aided by acceleration of mechanisation due to labour shortages, Rabi cash flows and higher government spending.
- Gujarat sees strong demand due to subsidies, which are also given in UP and may see more states giving subsidies if monsoons are weak or due to upcoming state assemblies election.
- **SUV Capacity:** Expansion of 10k units/month announced in Chakan for Phase-II taking total capacity to 92k units by FY28. Nagpur capacity expansion at 20k units/month by H1FY30 and 20k units by H1FY31.
- **BEV:** EBITDA (ex-PLI) was positive in Q1FY28. It plans to launch new BEV models in FY28e.
- Dealer inventory stood at 32-40 days for tractors and 15 days for SUVs.
- Fire at one of large southern suppliers and recent floods impacted production.
- **Margin Analysis**
  - Commodity cost rose by 400-500bps/300-400bps in automotive/ farm segment, while hedge loss came in at 85bps.
  - The management expects commodity cost to increase further in Q2FY27e.
  - Price hike announced till now at ~4.2% in SUV (1.5% earlier and 2.7% in mid Jul-26) and 3.5% in tractors (Rs10k in Apr-26 and Rs15k in Aug-26).
  - The management has guided for Farm EBIT margin at 17-19% range.
  - It expects farm margin to witness more pressure in Q2FY27e, due to unhedged exposure related to steel/rubber
- **Mahindra Aerostructures:** Cumulative contract wins stood at $1.2bn. It takes 2-3 years to industrialise.

Key Assumptions

Fig 10 – Standalone Key Assumptions

	FY23	FY24	FY25	FY26	FY27e	FY28e	CAGR FY26-28 (%)
Volumes (units)							
Domestic tractors	3,89,531	3,64,526	4,07,094	5,05,930	5,24,959	4,98,711	**(1)**
y/y (%)	15.6	(6.4)	11.7	24.3	3.8	(5.0)	
Domestic PVs	3,59,253	4,59,877	5,51,487	6,60,276	7,30,537	7,75,740	**8**
y/y (%)	59.0	28.0	19.9	19.7	10.6	6.2	
Domestic CVs	2,48,576	2,59,624	2,46,254	2,80,482	3,05,950	3,27,219	**8**
y/y (%)	40.3	4.4	(5.1)	13.9	9.1	7.0	
Domestic 3Ws	58,520	20,305					
y/y (%)	94.6	(65.3)					
Total Domestic	**10,55,880**	**11,04,332**	**12,04,835**	**14,46,688**	**15,61,446**	**16,01,670**	**5**
y/y (%)	37.1	4.6	9.1	20.1	7.9	2.6	
Exports	50,121	38,364	51,249	60,579	92,284	80,355	**15**
y/y (%)	(0.1)	(23.5)	33.6	18.2	52.3	(12.9)	
Total Volumes	**11,06,001**	**11,42,696**	**12,56,084**	**15,07,267**	**16,53,729**	**16,82,025**	**6**
y/y (%)	34.8	3.3	9.9	20.0	9.7	1.7	
Realisations (Rs / unit)	**7,68,175**	**8,67,227**	**9,27,356**	**9,65,826**	**10,35,618**	**10,65,071**	**5**
y/y (%)	9.0	12.9	6.9	4.1	7.2	2.8	
Revenues (Rs bn)	**850**	**991**	**1,165**	**1,456**	**1,713**	**1,791**	**11**
y/y (%)	47.0	16.6	17.5	25.0	17.6	4.6	
EBITDA (Rs bn)	**104**	**131**	**171**	**210**	**212**	**237**	**6**
y/y (%)	48.6	25.9	30.3	22.5	1.2	11.6	
Core PAT (Rs bn)	**62**	**90**	**100**	**140**	**140**	**157**	**6**
y/y (%)	64.0	46.1	11.4	39.2	0.4	12.3	

Source: Company

Fig 11 – MEAL + Standalone Financials

MEAL	FY25	FY26	FY27e	FY28e	CAGR FY26-28e (%)
Revenue	21,960	1,43,890	2,34,926	2,91,315	42
EBITDA	100	11,980	23,493	29,132	56
%	0.5	4.8	10.0	10.0	
EBIT	(1,710)	2,420	10,572	13,109	133
%	(7.8)	1.7	4.5	4.5	
eSUV Contract Manufacturing (Part of Standalone)					
Revenue	20,460	1,23,880	2,04,284	2,51,134	42
EBITDA	110	1,160	1,913	2,352	42
%	0.5	0.9	0.9	0.9	
EBIT	60	450	853	1,058	53
%	0.3	0.4	0.4	0.4	
MEAL + eSUV					
Revenue	21,960	1,43,890	2,34,926	2,91,315	42
EBITDA	210	13,140	25,406	31,483	55
%	1.0	9.1	10.8	10.8	
EBIT	(1,650)	2,870	11,425	14,167	122
%	(7.5)	2.0	4.9	4.9	
MEAL + Standalone	**FY25**	**FY26**	**FY27e**	**FY28e**	**CAGR FY26-28e (%)**
Revenue	11,66,337	14,75,768	17,43,274	18,31,658	11
EBITDA	1,71,326	2,21,755	2,35,822	2,66,032	10
%	14.7	15.0	13.5	14.5	
EBIT	1,57,296	2,12,140	2,23,269	2,49,869	9
%	13.5	14.4	12.8	13.6	
PAT	**1,16,840**	**1,59,791**	**1,67,274**	**1,87,947**	**8**
Core PAT	**98,755**	**1,41,918**	**1,47,569**	**1,66,570**	**8**
Core EPS	79.4	114.2	118.7	134.0	8
Core P/E	32	22	22	19	

Source: Company, Anand Rathi research

Outlook and Valuation

Looking ahead, the company's volume growth is expected to taper down in FY27/28e to about mid-single digit due to absence of PV market-share gain and slide in tractor industry. We expect M&M to grow broadly in-line with PV market, as demand shifts toward small cars (due to lower GST and adverse-mix), lack of major launches (mainly mid-cycle enhancements) and more model launches by competition.

We expect the tractor industry to decline from H2FY27, after a strong ~32% growth over FY24-26e on high base, lower government subsidies and below normal monsoon. We expect volume to clock 6% CAGR over FY26-28e, driven by 8% CAGR in PVs, 8% in CVs (rising share of pick-ups and GST cut pull), down 1% in tractors and up 15% in auto exports (on favourable base, launches and Indonesia order). Realisation I expected to grow 5%, owing to greater proportion of EV models.

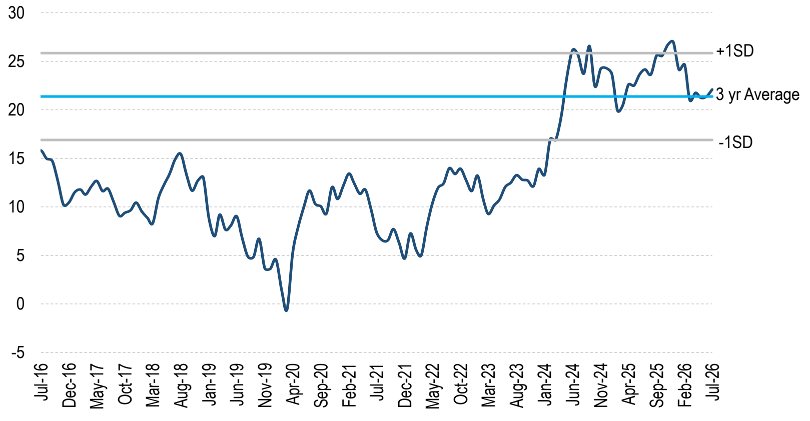
We expect the company's revenue/EBIT to clock 11/9% CAGR over FY26-28e, and 8%/8% PAT/core PAT for standalone + MEAL. **We maintain HOLD rating on the stock with an SOTP-based TP of Rs3,675 (from Rs4,050 earlier), valuing it at 22x Mar-28e EPS (from 26x previously) for standalone + MEAL and Rs725 for investments.**

Fig 12 – SOTP – Our TP is Rs3,675

Components (Rs bn)	Basis of Valuation	Sept'27E Implied P/E (x)	Equity value	M&M stake (%)	Pro-rata value	Hold-co discount (%)	Contr. To SOTP	SOTP (Rs/share)	SOTP breakdown (%)
Standalone + MEAL business		**22**	**2,948**		**2,948**		**2,948**	**2,948**	**80**
Tech Mahindra	Mcap		1,640	35.0	574	20	459	369	10
M&M Financial Services	Mcap		547	52.5	287	20	230	185	5
Other Subs/investments	Current m-cap/ investment value						215	173	5
Total							**4,079**	**3,674**	**100**
Total (Rounded off)								**3,675**	

Source: Company, Anand Rathi Research

Fig 13 – M&M Core P/E – 1-Yr Forward (mean 3-Yr: 21x 5-Yr: 17x)



Source: Company, Note: Excluded value of key subsidiaries – Tech Mahindra, M&M Financial, Mahindra Life, Mahindra Holidays, Ssangyong, CIE India, Swaraj Engines, Mahindra EPC, Mahindra SML and Others (5% of CMP)

Key Downside Risks

- Lower-than-expected domestic industry volume.
- Higher competitive intensity.
- Lower-than-expected success of new product.
- Adverse commodity prices.

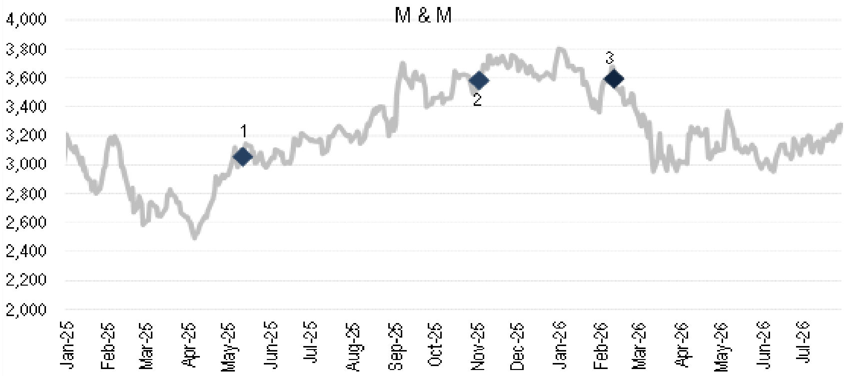
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 30 July 2026)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	15-May-25	Buy	3,600	3,105
2	05-Nov-25	Hold	3,900	3,581
3	12-Feb-26	Hold	4,050	3,675

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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