

**Strong Growth Momentum with Strong Launch Pipeline, EV Traction, and Rural Revival Driving Multi-Segment Upside**

**CMP: INR 3,584**

**Rating: Buy**

**Target Price: INR 4,314**

**Stock Info**

BSE	500520
NSE	M&M
Bloomberg	MM IN
Reuters	MAHM.BO
Sector	Auto- Cars & Jeeps
Face Value (INR)	5
Equity Capital (INR mn)	5,580
Mkt Cap (INR Bn)	4,428
52w H/L (INR)	3,724/2,360

**Shareholding Pattern %**

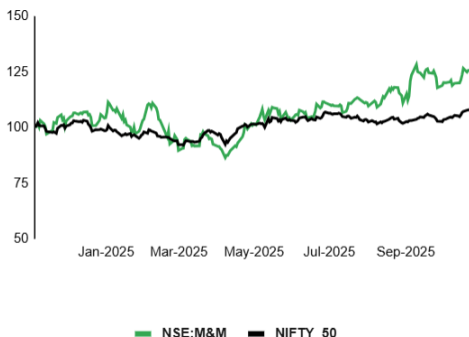
(As on Jun, 2025)

Promoters	18.43
Public and others	81.57

**Stock Performance (%)**

	1m	3m	12m
M&M	2.59	12.8	23.48
Nifty	2.37	4.71	7

**M&M Vs Nifty**



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Mahindra & Mahindra (M&M) reported beat estimates on all counts; Excl. eSUV contract mfg. 10.3%, up 80 bps. Standalone revenue stood at INR 334,216 Mn, above our estimate of INR 329,210 Mn registering a growth 21.3% YoY/ down -1.9% QoQ. EBITDA stood at INR 48,092 Mn, above our estimate of INR 46,154 Mn, Registering a growth of 23.2%YoY/ up 1.6%QoQ. On the margins front, the EBITDA margin is expansion 2bps YoY/ +5bps QoQ to 14.4%, above with our estimate of 14.0% led by decrease in other expense 4.2% QoQ and RM down by 2.5% Auto: Standalone PBIT INR 22,810 Mn up 14%,PBIT margin 9.2%, excl. eSUV contract mfg. 10.3%, up 80 bps. Farm: Q2 MS at 43.0%, up 50 bps YoY, with volumes rising 32% to 123k units. Standalone PBIT grew 48% YoY to INR 16,840 Mn, with margins expanding 220 bps to 19.7%. Consolidated revenue stood at INR 102,250 Mn, up 25% YoY, while consolidated PAT increased 45% YoY to INR 11,630 Mn. Standalone PAT grew by 31% QoQ/ + 17.7% YoY to INR 45,205.2 Mn above our estimate of INR 42,939 Mn led by increase other income 198.2% QoQ/ up 15% YoY. Income from investments related to subsidiaries, associates and joint ventures includes gain on sale of investment of INR 2091.7 Mn in consolidated financial results and INR 2081.2 Mn in standalone financial results for the quarter ended 30th September 2025.

**Investment Rationale**

**Strong Launch Pipeline to Drive Portfolio Refresh:** M&M continues to strengthen its product pipeline with several ICE and EV introductions. Three new ICE SUVs are planned for CY26, including two mid-cycle enhancements and one all-new model, excluding recent Bolero and Thar 3-door refreshes. The refreshed Bolero and Thar have received strong market response, particularly as sub-INR10 lakh models benefiting from the GST cut. The upcoming BE-series EVs (BE-6, BE-9) are also progressing toward PLI qualification by FY27–28. These launches aim to maintain M&M’s leadership in SUVs and expand its EV footprint across domestic and global markets. We believe this new launches will lead better growth momentum in the company.

**Robust Demand Momentum Across Auto and Farm:** Demand across core segments remains resilient, supported by macro recovery, festive-led sentiment, and GST-induced affordability. SUV volumes are guided for mid-to-high teen growth, while tractors and LCVs are expected to deliver low double-digit expansion. Exports have surged, aided by 3XO and 700 traction in key overseas markets. The company showed strong order books, improving rural sentiment, and favorable financing trends as key demand catalysts heading into H2FY26.

**Accelerating EV Traction and Deepening Electrification Strategy:** The EV business continues to scale with over 30,000 electric SUVs sold cumulatively, 85% of which were to new customers. M&M is focusing on category creation and ecosystem development over short-term profitability. Despite narrowing tax differentials post-GST revision, management indicated no visible impact on EV demand, with multiple states’ policies (UP, Haryana) providing additional incentives. PLI support till FY28 and localization benefits are expected to enhance long-term margins, while upcoming BE-series launches will expand the addressable market.

**Outlook and valuation**

M&M expects H2FY26 with strong volume momentum across Auto and Farm. Management expects mid-to-high teens SUV growth, double-digit tractor growth, and robust export performance to continue. The EV business will remain a structural growth pillar, supported by BE-series launches, sustained PLI inflows, and new customer acquisitions. Commodity volatility and geopolitical risks remain watch areas, but hedging and diversified sourcing offer resilience. With demand catalysts such as GST-led affordability, rural rebound, and new launches, M&M is well-positioned for sustained double-digit revenue and earnings growth in FY26–27. However, **We maintain our rating on the stock to Buy with a revised SOTP-based target price of INR 4,314 per share.**

**Exhibit 2: Quarterly results summary Q2FY26**

**Quarterly results summary (MM + MVML) Q2FY26**

INR Mn	Q2FY26	Q1FY26	Q2FY25	QoQ %	YoY %
<b>Net Sales</b>	334,216	340,832	275,533	-1.9%	21.3%
Cost of material consumed	252,786	259,207	204,440	-2.5%	23.6%
Staff Cost	12,984	13,017	11,526	-0.3%	12.6%
Other expenses	20,355	21,251	20,525	-4.2%	-0.8%
Total expenses	286,124	293,475	236,491	-2.5%	21.0%
<b>EBITDA</b>	48,092	47,357	39,042	1.6%	23.2%
Depreciation	10,406	9,999	9,614	4.1%	8.2%
EBIT	37,686	37,358	29,428	0.9%	28.1%
Interest	590	559	551	5.5%	7.0%
Other Income	23,599	7,913	20,433	198.2%	15.5%
Profit before exceptional items and tax	60,695	44,713	49,310	35.7%	23.1%
Extraordinary	-	-	-		
<b>Profit/(loss) before tax</b>	60,695	44,713	49,310	35.7%	23.1%
Tax	(15,489)	(10,214)	(10,901)	51.6%	42.1%
<b>Reported PAT</b>	45,205.2	34,498.4	38,408.8	31.0%	17.7%
EPS	21.30	21.30	32.01	0.0%	-33.5%

Margins	Q2FY26	Q1FY26	Q2FY25	QoQ %	YoY %
Gross margins	24.4%	23.9%	25.8%	4bps	-14bps
EBITDA	14.4%	13.9%	14.2%	5bps	2bps
PAT	13.5%	10.1%	13.9%	34bps	-4bps
Tax Rate	-25.5%	-22.8%	-22.1%	-27bps	-34bps
Tractor Segment	Q2FY26	Q1FY26	Q2FY25	QoQ %	YoY %
Total Tractors Volume	122,936	134,089	89,306	-8.3%	37.7%
Total Automotive Volume	259,118	247,249	224,711	4.8%	15.3%
Total Volume (Auto + Farm)	382,054	381,338	318,093	0.2%	20.1%
Aveg Relizations (Auto)	368,475	386,163	352,324	-4.6%	4.6%
Aveg Relizations (FES)	424,445	389,142	525,074	9.1%	-19.2%
Blended realisation	400,699	401,452	420,425	-0.2%	-4.7%

**Exhibit 3: SOTP Valuation**

Listed Subsidiary	Valuation Basis	CMP	M&M stake	% Stake	Mcap (INR Mn)	Value/share
Tech Mahindra Limited		1,408	248,022,598	25.5	349,166	291
Mahindra & Mahindra Financial Services		319	644,399,987	52.2	205,370	171
Mahindra Holidays & Resorts		331	134,835,922	67.0	44,610	37
Mahindra Lifespace Developers		407	79,319,550	51.3	32,267	27
Mahindra EPC Irrigation		139	15,144,433	54.3	2,107	2
Swaraj Engines		3,945	6,331,141	34.8	24,976	21
Mahindra Logistics Ltd		344	41,812,257	58.1	14,363	12
<b>EV Business (30% Holdco discount)</b>			<b>200,284</b>	<b>4.76</b>		<b>161</b>
<i>Listed Subsidiaries (INR mn)</i>					672,860	560
						560
<b>Sub Valuations Post Discount (20%)</b>			<b>20%</b>		-	<b>448</b>
						609
<b>Core auto business EV/EBITDA</b>	<b>FY28E</b>	<b>14.8</b>				<b>3,705</b>
<b>Value/Share</b>						<b>4314</b>
					CMP	3584
					Upside	20.4%

CMP as on 4th Nov FY25

Source: Arianth Research, Company Filings

## Mahindra & Mahindra (M&M)-Q2FY26

Operating profit grew 28% YoY, excluding one-offs (land sale gain, PLI gain, and SML Isuzu tax impact).

ROE annualized at 19%, though management guided to maintain the 18% range ahead.

Auto + Farm EBIT up 28% YoY, driven by strong volume traction and improved profitability.

Auto revenue grew 25% YoY, PBIT up 14%, impacted by GST transition and deferred deliveries post-September 8.

Standalone auto margin at 10.3% (reported 9.2% including contract manufacturing).

MS up 390 bps YoY in SUVs and LCV share improved by 100 bps to 53.2%.

Export momentum remained strong, up ~40% YoY, led by 3XO and XUV700 traction in Australia and South Africa and neighboring markets like Sri Lanka, Nepal, Bangladesh reopening.

EV portfolio penetration at 8.7%, up 90 bps QoQ and 30,000 electric SUVs sold cumulatively. EV EBITDA at INR 173 cr, aided by PLI income for the quarter.

PLI incentive of INR 4600 Mn recognized (INR 510 M for the quarter and INR 3120 Mn prior period). Management confident PLI funds will last till FY28.

No major impact on EV demand post-GST cut on ICE vehicles – price gap (5% vs 40%) remains substantial. 85% of BEV buyers are new-to-Mahindra customers, indicating brand reach expansion.

### Refresh Pipeline

3 new ICE SUVs planned in CY2026 (excluding Bolero and Thar 3-door refresh).

Mid-cycle enhancements across Thar and Bolero already launched; early customer response strong.

Focus on category creation via EVs and special editions (e.g., Batman Edition) with strong uptake 999 units sold quickly.

EV analytics (connected vehicle data) to be presented at Investor Day (Nov 26).

### Farm Segment

Tractor volumes up 32% YoY and MS up 50 bps.

Farm revenue showing the potential to reach INR 3300 Mn profit trajectory.

Low double-digit growth expected for FY26, supported by healthy monsoon arrivals, lower GST, and rural sentiment recovery.

**Market:** Strong growth in Maharashtra, Karnataka, Telangana, Andhra, aided by low base and improving rural economics. Launch of improved Swaraj harvesters expected to lift realizations (INR 20 lakh/unit range).

Precious metals up 60–80% in recent months and M&M's strategic hedging limited exposure and offset cost pressures.

Inflation pressures persist but hedge coverage adequate till end-Q3FY26.

Company actively pursuing cost optimization, vendor substitution, and margin protection.

Nexperia chip shortage (low-value commodity chip, ~USD 0.2 each) had limited risk and substitutes identified.

### M&M expects no production disruption in Q3, and situation to normalize by Q4FY26.

Impacted Europe OEMs more severely; multiple global collaborations underway for supply normalization.

### Market & Demand Dynamics

GST cut seen as multi-year positive — boosts affordability across LCV, PV, and tractor segments.

Price normalization (10–12% reduction) to unlock latent LCV demand and festival sales already reflected strong double-digit growth.

Rural recovery, falling interest rates, and improved sentiment expected to sustain demand momentum.

Diesel remains 70–75% of mix, though 3XO is largely petrol (75–80% mix).

The company sees demand shift toward feature-rich variants post-GST realignment.

**Depreciation:** Depreciation increased YoY due to higher capex cycle (EV platforms, tooling, and product launches).

Company continues to maintain disciplined working capital, benefiting from simplified GST and cash flow improvement in Farm segment.

Net cash position healthy, enabling continued growth investments in Auto, EV, and Farm.

### Subsidiary

Tech Mahindra profits up 35% (ex-land sale), BFSI & manufacturing segments led growth.

Mahindra Finance operating profit up 45%, with NIM improving 47 bps QoQ; AUM up 13%.

Real Estate (Mahindra Lifespaces) on a strong trajectory; GDV growth on track for 14x increase by FY30.

Aerospace secured a global fuselage supply contract with Airbus.

Standalone Financial

P&L (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	1,164,837	1,328,033	1,482,557	1,670,280
YoY (%)	17.9	14.0	11.6	12.7
Raw material cost	863,402	970,792	1,079,302	1,210,953
Employee Cost	48,815	56,137	64,558	74,241
Admin Expenses	89,875	106,243	118,605	133,622
Total expenses	1,002,091	1,133,172	1,262,464	1,418,817
<b>EBIDTA</b>	<b>162,746</b>	<b>194,861</b>	<b>220,093</b>	<b>251,463</b>
(%)	14.0%	14.7%	14.8%	15.1%
Depreciation	42,268	40,576	43,516	46,456
EBIT	141,886	154,285	176,577	205,007
Interest	2,505	1,139	1,086	827
Other income	17,119	27,150	26,000	26,001
<b>PBT</b>	<b>156,500</b>	<b>180,297</b>	<b>201,491</b>	<b>230,182</b>
(-) Tax	(37,952)	(42,639)	(47,513)	(54,112)
Tax/ PBT	(24.3)	(23.6)	(23.6)	(23.5)
<b>PAT</b>	<b>118,549</b>	<b>137,658</b>	<b>153,978</b>	<b>176,069</b>
YoY (%)	10.6	16.1	11.9	14.3
PAT(%)	10.2%	10.4%	10.4%	10.5%
Extraordinary	-	-	-	-
Reported Profit	118,549	137,658	153,978	176,069

B/Sheet (INR mn)	FY25	FY26E	FY27E	FY28E
Equity capital	6,004	6,004	6,004	6,004
Reserves	609,847	711,335	829,141	937,587
Net worth	615,851	717,338	835,145	943,591
Total Loans	11,351	9,354	7,358	5,362
Def Tax Liability	16,629	16,629	16,629	16,629
Assets held for sale				
<b>Total Liabilities</b>	<b>643,830</b>	<b>743,321</b>	<b>859,132</b>	<b>965,582</b>
Gross Block	177,249	193,249	209,249	225,249
Less: Acc. depreciation	42,268	40,576	43,516	46,456
Net block	134,981	152,673	165,733	178,793
Investments	412,991	415,050	415,653	418,702
Inventories	103,333	111,666	124,148	139,291
Debtors	57,256	55,337	61,776	69,598
Cash	107,906	150,072	232,632	313,878
Loans and advances	85,428	144,523	158,431	175,327
Other Current assets	41,865	42,451	43,045	47,350
Current assets	395,787	504,049	620,031	745,444
Current liabilities	291,215	300,096	310,632	341,696
Current liabilities & Provisions	342,196	328,450	342,285	377,357
Net current assets	53,591	175,998	277,746	368,087
<b>Total Assets</b>	<b>643,831</b>	<b>743,321</b>	<b>859,132</b>	<b>965,582</b>

Cash Flow	FY25	FY26E	FY27E	FY28E
Net Profit	118,549	137,658	153,978	176,069
Depreciation	42,268	40,576	43,516	46,456
Deferred tax	(37,952)	(42,639)	(47,513)	(54,112)
Change in W/C	38,060	(51,549)	(19,587)	(9,095)
Operating cash flow	160,925	84,046	130,393	159,318
Change in intangible	(3,569)	1,631	171	864
Capex	(18,834)	(16,000)	(16,000)	(16,000)
Investments	(63,659)	(2,059)	(604)	(3,049)
Investing cash flow	(77,053)	(2,573)	(8,580)	(7,626)
Free Cash Flow	139,586	66,908	113,307	142,492
Dividend	(36,171)	(36,171)	(36,171)	(67,623)
Equity	10,561	-	-	-
Debt	(4,498)	(1,997)	(1,996)	(1,996)
Financing cash flow	(30,108)	(38,168)	(38,167)	(69,619)
Net change in cash	51,259	42,167	82,560	81,246
Opening cash	56,646	107,905	150,072	232,632
Closing cash	107,905	150,072	232,632	313,878

Key Ratios	FY25	FY26E	FY27E	FY28E
EPS	98.7	114.6	128.2	146.6
	10%	16%	12%	14%
P/E (Standalone)	36.3	31.3	28.0	24.4
EV/EBDITA (x)	23.3	19.2	16.6	14.2
Book value	513	597	696	786
P/B (x)	7.0	6.0	5.2	4.6
Subsidiary Valuation	448	448	448	448
EPS (Core EPS)	88.5	102.2	114.3	130.9
P/E (Core)	35.5	30.7	27.4	24.0
EV/EBITDA (Core)	25.6	21.2	18.4	15.7
ROCE	20.2%	20.0%	18.2%	18.4%
ROE	20.8%	20.7%	19.8%	19.8%
<b>Days</b>				
Inventory	42.0	42.0	42.0	42.0
Debtor	15.2	15.2	15.2	15.2
Creditor	65.8	65.6	60.5	57.0

Source: Company, Arianth Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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