

**CMP: INR 3,212**

**Rating: Buy**

**Target Price: INR 3,913**

**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)	6,010
Mkt Cap (INR Bn)	3,994
52w H/L (INR)	3,840/2,896

**Shareholding Pattern %**

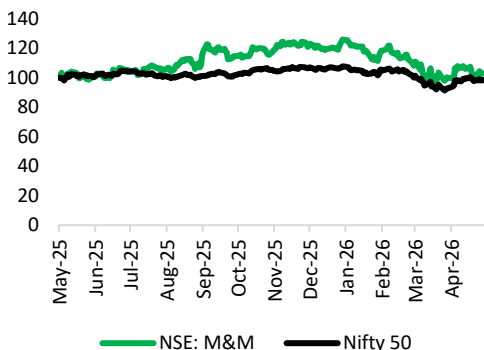
(As on Mar, 2026)

Promoters	18.45
Public and others	81.55

**Stock Performance (%)**

	1m	6m	12m
M&M	3.15	-13.26	2.81
Nifty	6.19	-5.78	-1.40

**M&M Vs Nifty**



Abhishek Jain  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
022 67114851

Riddhesh Kadam  
[riddhesh.kadam@arihantcapital.com](mailto:riddhesh.kadam@arihantcapital.com)  
022 67114873

Revenue and EBITDA missed estimates amid RM pressure; margins slightly below expectations, while strong PAT and continued gains in SUV and tractor market share. Standalone revenue stood at INR 395,541 Mn, below our estimate of INR 402,297 Mn registering a growth 26.2% YoY/ up 2.7% QoQ. EBITDA stood at INR 54,626 Mn, below our estimate of INR 56,127 Mn, registering a growth of 37.8%YoY/ up 3.2%QoQ. On the margins front, the EBITDA margin expanded 120 bps YoY/ 10 bps QoQ to 13.8%, slightly below our estimate of 14.0% led by increase in RM. Standalone PAT declined by 4.9% QoQ/ increased by 53.3% YoY to INR 37,372.7 Mn above our estimate of INR 36,397 Mn. Auto Q4 SUV revenue market share at 24.5%, up 60 bps YoY, for FY26 market share 25.3%, up 260 bps YoY. Farm Q4 market share at 42.1%, up 90 bps YoY; volumes at 120,000, up 36% YoY. FY26 market share at 43.6%, up 30 bps YoY; Volumes at 526,000, up by 24% YoY. 170 bps YoY decrease in LCV (< 3.5T) market share in Q4 and up 60bps YoY in FY26 at 52.3%.

**Investment Rationale**

**Farm business structurally strong despite near-term drag:** The farm segment delivered strong operational performance with 24% volume growth and ~150 bps margin expansion, although reported profitability was impacted by one-off impairments. M&M continues to strengthen its leadership with ~43.6% tractor market share, the highest ever, and maintains industry-leading margins (~20% in tractors), operating within a disciplined 18–21% band across cycles. Strategic exits from loss-making international subsidiaries should act as a medium-term margin tailwind. With continued product upgrades (new platforms, transmission tech) and stable rural demand supported by government spending, the farm business offers high return ratios and steady cash flows

**Auto Segment Demand Momentum Strong:** The auto business continues to be the key growth driver, supported by 19% volume growth and margin expansion of ~80 bps, leading to ~33% profit growth. SUV demand remains robust across the portfolio (XUV700, Scorpio, Thar, Bolero). EBITDA margins in core auto stood at ~10.9%, reflecting sustained pricing power and operating efficiency. EVs are an incremental positive, with 9.6% penetration and turning PBIT positive significantly ahead of expectations. With guidance of mid-to-high teens SUV growth, continued capacity expansion, and improving mix, the auto segment is well placed to drive earnings growth while maintaining double-digit margins.

**Financial services and growth businesses scaling up meaningfully:** Mahindra Finance and other emerging businesses are now emerging as material contributors to profitability, reducing dependence on cyclical auto/farm. Mahindra Finance reported ~60% profit growth (adjusted) with improving asset quality (GS3 at 3.41%) and a pivot toward growth, supported by 12% AUM growth and diversification into mortgages/SME. Additionally, growth verticals collectively delivered ~50% profit growth, driven by strong traction in aero structures (~\$1bn order book), logistics turnaround, and advanced technologies. These businesses are transitioning from incubation to scale, enhancing earnings visibility and valuation re-rating potential.

**Outlook and valuation**

The auto segment should see mid-to-high teens growth, supported by strong demand for SUVs, new launches, and capacity expansion, while EVs are scaling up faster than expected and have already turned profitable. The farm business is likely to grow at a moderate, with stable margins and benefits from recent restructuring flowing in over time. Financial services and other emerging businesses are also expected to grow steadily, adding to overall profitability. While there are some near-term risks like commodity price inflation and global uncertainties, the company's strong demand visibility, improving business mix, and healthy balance sheet position it well to deliver consistent double-digit earnings growth over the medium term. However, **We maintain our rating on the stock to Buy with a revised SOTP-based target price of INR 3,913 per share.**

Exhibit 2: Quarterly results summary Q4FY26

Quarterly results summary (MM + MVML) Q4FY26					
INR Mn	Q4FY26	Q3FY26	Q4FY25	QoQ %	YoY %
<b>Net Sales</b>	3,95,541	3,85,168	3,13,534	2.7%	26.2%
Cost of material consumed	3,02,213	2,93,455	2,32,299	3.0%	30.1%
Staff Cost	13,015	13,888	12,686	-6.3%	2.6%
Other expenses	25,688	24,900	28,910	3.2%	-11.1%
<b>Total expenses</b>	<b>3,40,915</b>	<b>3,32,242</b>	<b>2,73,894</b>	<b>2.6%</b>	<b>24.5%</b>
<b>EBITDA</b>	<b>54,626</b>	<b>52,926</b>	<b>39,640</b>	<b>3.2%</b>	<b>37.8%</b>
Depreciation	12,006	10,516	13,058	14.2%	-8.1%
EBIT	42,621	42,410	26,582	0.5%	60.3%
Interest	715	632	810	13.3%	-11.7%
Other Income	6,907	11,226	7,678	-38.5%	-10.0%
Profit before exceptional items and tax	48,812	53,005	33,450	-7.9%	45.9%
Extraordinary	-	(982)	-		
<b>Profit/(loss) before tax</b>	<b>48,812</b>	<b>52,023</b>	<b>33,450</b>	<b>-6.2%</b>	<b>45.9%</b>
Tax	(11,440)	(12,710)	(9,079)	-10.0%	26.0%
<b>Reported PAT</b>	<b>37,372.7</b>	<b>39,313.0</b>	<b>24,371.4</b>	<b>-4.9%</b>	<b>53.3%</b>
EPS	31.00	32.72	20.30	-5.3%	52.7%
Margins					
	Q4FY26	Q3FY26	Q4FY25	QoQ %	YoY %
Gross margins	23.6%	23.8%	25.9%	-2bps	-23bps
EBITDA	13.8%	13.7%	12.6%	1bps	12bps
PAT	9.4%	10.2%	7.8%	-8bps	17bps
Tax Rate	-23.4%	-24.0%	-27.1%	5bps	37bps
Tractor Segment					
	Q4FY26	Q3FY26	Q4FY25	QoQ %	YoY %
Total Tractors Volume	1,19,811	1,49,567	88,018	-19.9%	36.1%
Total Automotive Volume	3,01,455	2,98,902	2,53,027	0.9%	19.1%
Total Volume (Auto + Farm)	4,21,266	4,48,469	3,41,045	-6.1%	23.5%
Avg Relizations (Auto)	3,16,725	3,19,430	3,77,341	-0.8%	-16.1%
Avg Relizations (FES)	4,35,516	3,48,871	5,92,817	24.8%	-26.5%
Blended realisation	3,63,402	3,41,359	4,48,873	6.5%	-19.0%

Exhibit 3: SOTP Valuation

Listed Subsidiary	Valuation Basis	CMP	M&M stake	% Stake	Mcap (INR Mn)	Value/share
Tech Mahindra Limited		1,452	24,80,22,598	28.1	3,60,129	300
Mahindra & Mahindra Financial Services		306	64,43,99,987	52.2	1,97,186	164
Mahindra Holidays & Resorts		243	13,48,35,922	67.0	32,765	27
Mahindra Lifespace Developers		328	7,93,19,550	51.1	26,017	22
Mahindra EPC Irrigation		119	1,51,44,433	54.3	1,802	1
Swaraj Engines		3,930	63,31,141	34.8	24,881	21
Mahindra Logistics Ltd		393	5,91,12,927	58.0	23,231	19
SML Mahindra Ltd		3,652	85,33,281	58.96%	31,164	26
<b>EV Business (30% Holdco discount)</b>			<b>2,00,284</b>	<b>4.76</b>		<b>161</b>
<i>Listed Subsidiaries (INR mn)</i>					<i>6,66,012</i>	<i>580</i>
						580
<b>Sub Valuations Post Discount (20%)</b>			<b>20%</b>		<b>-</b>	<b>464</b>
						625
<b>Core auto business EV/EBITDA</b>	<b>FY28E</b>	<b>10.0</b>				<b>3,287</b>
<b>Value/Share</b>						<b>3913</b>
CMP as on 5 <sup>th</sup> May 2026					CMP	3212
					Upside	21.8%

Source: Arihant Research, Company Filings

## Mahindra & Mahindra (M&M)-Q4FY26

The company appears well positioned to sustain its growth trajectory, supported by strong demand in SUVs, stable tractor outlook and continued market share leadership across core segments. The ramp-up in EV profitability, alongside an aggressive product pipeline and capacity expansion, provides incremental growth visibility, while AI-led efficiencies are expected to drive both revenue and margin improvement over the medium term. Although near-term headwinds from commodity inflation and supply chain tightness persist, the company's disciplined pricing strategy, robust balance sheet and proactive risk management should help mitigate these pressures and support steady earnings compounding.

### Guidance

Management targets long-term EPS growth of 15–20% with ~18% ROE, with FY26 ROE at ~20% exceeding internal benchmarks.

The company outlined a strong FY31 vision with significant scale-up across auto (~8x), farm (~3x), finance AUM (~5x) and multiple emerging verticals. AI-led initiatives are expected to meaningfully contribute to growth, efficiency and customer experience over the medium term.

### Demand

Management expects mid-to-high teens growth in SUVs, high single-digit growth in LCVs and ~5% growth in tractors for FY27.

SUV demand remains robust driven by premiumization, while tractor demand is supported by stable rural sentiment.

Low dealer inventory, especially in tractors, indicates limited risk of channel destocking even if retail moderates.

### Margin

Auto margins expanded by ~80 bps and farm margins by ~150 bps, supporting overall profitability improvement.

Tractor margins remained strong at ~20% (Q4 ~20.4%), within the guided 18–21% band.

Reported auto margins were impacted by low-margin contract manufacturing, though core margins remain healthy.

### Electric

The EV business turned PBIT positive with FY profitability of ~INR 2,870 Million and Q4 PBIT of ~INR 2,270 Million.

The company achieved ~31.4% volume share and ~37.7% revenue share in EVs, indicating strong positioning.

EV penetration reached ~9.6% for the year and crossed 10% recently, with a target of 13–21% over the next five years.

A strong pipeline of BEVs supported by the flexible IQ platform will drive future scale-up.

### AI

AI is emerging as a key differentiator with expected revenue contribution of ~INR 41,000 Million by FY27.

AI deployment is improving efficiency, reducing product development timelines by ~10% and enhancing customer engagement.

In Mahindra Finance, AI is expected to drive ~INR 100,000 Million incremental disbursements and improve conversion rates.

Process efficiencies include reduction in document verification time from ~40 minutes to ~7 minutes.

### Inventory

The company has proactively increased inventory to mitigate risks from supply disruptions, especially in semiconductors and memory chips.

Strategic stocking of critical components is being undertaken despite inflationary pressures.

Dealer inventory remains controlled across segments, supporting demand-supply balance.

### Costs

Commodity inflation has picked up in the near term, particularly in April–May, though moderation is expected over time.

The company has taken selective price hikes (~1.5–1.6% in SUVs) but remains cautious on further increases.

Gas supply challenges were managed effectively and have shown signs of stabilization recently.

### Competition

Management views increased competition from FTAs and EV players as positive for long-term industry development.

Competition is helping build EV ecosystem confidence, including charging infrastructure and customer adoption.

The company remains focused on profitability rather than aggressively chasing market share in already dominant segments.

### Market Share

Market share improved across segments with ~60 bps gains in auto and LCVs.

Tractor market share reached a record ~43.6%, while LCV share remains strong at ~52%.

The company maintained leadership in EV revenue share and strong positioning across businesses.

### Supply

Strong supply chain resilience enabled the company to navigate disruptions in semiconductors, rare earths and memory chips.

The company identified high-risk components and implemented mitigation strategies including alternate sourcing and inventory build-up.

These actions supported strong performance despite global supply-side challenges.

### Capital

Dividend increased by ~30%, reflecting strong cash flows and disciplined capital allocation.

Investments remain within the existing three-year capex cycle, focused on future growth platforms.

New manufacturing capacity, including the Nagpur plant, will support long-term expansion.

### M&A

The company exited select international farm subsidiaries due to underperformance, leading to ~INR 14,000 Million impairment. Excluding these one-offs, underlying farm profitability growth was significantly higher.

Integration of the SML acquisition in trucks and buses is progressing with gradual market share improvement.

### Products

Strong product pipeline includes 10 ICE SUVs, 6 BEVs, 10 LCVs and multiple tractor launches over the medium term.

The company plans 19 tractor launches in FY27, including new models and upgrades.

Capacity ramp-up in SUVs and EVs will support upcoming product launches and demand growth.

### Macro

Management remains positive on India's growth outlook driven by consumption, infrastructure and policy support.

GDP is expected to see strong expansion over the next five years, supporting auto and farm demand.

Inflation and supply chain uncertainties remain near-term risks but are relatively manageable.

## Standalone Financial

P&L (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Net sales	11,64,837	14,55,758	17,17,292	20,30,605	24,28,946
YoY (%)	17.9	25.0	18.0	18.2	19.6
Raw material cost	8,63,402	11,07,660	12,79,382	15,08,740	18,02,278
Employee Cost	48,815	52,903	58,193	65,176	72,998
Admin Expenses	89,875	92,194	1,37,383	1,62,448	1,94,316
Total expenses	10,02,091	12,52,756	14,74,959	17,36,364	20,69,591
<b>EBIDTA</b>	<b>1,62,746</b>	<b>2,03,001</b>	<b>2,42,333</b>	<b>2,94,241</b>	<b>3,59,355</b>
(%)	14.0%	13.9%	14.1%	14.5%	14.8%
Depreciation	42,268	42,927	45,021	48,141	51,261
EBIT	1,41,886	1,81,970	1,97,312	2,46,100	3,08,094
Interest	2,505	2,496	2,429	2,535	2,587
Other income	17,119	27,749	32,187	36,726	42,075
<b>PBT</b>	<b>1,56,500</b>	<b>2,07,224</b>	<b>2,27,070</b>	<b>2,80,291</b>	<b>3,47,582</b>
(-) Tax	(37,952)	(49,853)	(50,368)	(62,609)	(78,086)
Tax/ PBT	(24.3)	(24.1)	(22.2)	(22.3)	(22.5)
<b>PAT</b>	<b>1,18,549</b>	<b>1,57,371</b>	<b>1,76,702</b>	<b>2,17,682</b>	<b>2,69,496</b>
YoY (%)	10.6	32.7	12.3	23.2	23.8
PAT(%)	10.2%	10.8%	10.3%	10.7%	11.1%
<b>Extraordinary</b>	-	<b>(981.90)</b>	-	-	-
<b>Reported Profit</b>	<b>1,18,549</b>	<b>1,56,389</b>	<b>1,76,702</b>	<b>2,17,682</b>	<b>2,69,496</b>

B/Sheet (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Equity capital	6,004	6,010	6,010	6,010	6,010
Reserves	6,09,847	7,37,241	8,66,764	9,96,242	11,36,508
Net worth	6,15,851	7,43,252	8,72,775	10,02,252	11,42,518
Total Loans	11,351	10,561	10,561	10,561	10,561
Def Tax Liability	22,263	22,202	22,202	22,202	22,202
Assets held for sale		1,631			
<b>Total Liabilities</b>	<b>6,49,464</b>	<b>7,77,646</b>	<b>9,05,538</b>	<b>10,35,015</b>	<b>11,75,282</b>
Gross Block	1,77,249	1,84,047	1,96,047	2,08,047	2,20,047
Less: Acc. depreciation	42,268	42,927	45,021	48,141	51,261
Net block	1,34,981	1,41,120	1,51,026	1,59,906	1,68,786
Investments	4,12,991	4,86,231	4,86,890	4,90,219	4,93,714
Inventories	1,03,333	1,03,059	1,08,679	1,19,895	1,33,346
Debtors	57,256	64,858	67,321	74,040	75,255
Cash	1,07,906	1,84,799	2,72,625	3,82,519	5,03,553
Loans and advances	95,890	1,39,176	1,79,557	2,07,756	2,43,608
Other Current assets	41,865	42,226	42,817	47,099	51,809
Current assets	4,06,250	5,34,118	6,71,000	8,31,310	10,07,572
Current liabilities	2,91,215	3,66,045	3,70,588	4,07,647	4,48,412
Current liabilities & Provisions	3,47,027	4,26,749	4,03,378	4,46,419	4,94,790
Net current assets	59,223	1,07,369	2,67,622	3,84,891	5,12,782
<b>Total Assets</b>	<b>6,49,464</b>	<b>7,77,646</b>	<b>9,05,538</b>	<b>10,35,015</b>	<b>11,75,282</b>

Source: Company, Arianth Research

## Standalone Financial

Cash Flow	FY25	FY26	FY27E	FY28E	FY29E
Net Profit	1,18,549	1,56,389	1,76,702	2,17,682	2,69,496
Depreciation	42,268	42,927	45,021	48,141	51,261
Deferred tax	(37,952)	(49,853)	(50,368)	(62,609)	(78,086)
Change in W/C	21,964	29,023	(39,519)	(7,375)	(6,857)
Operating cash flow	1,44,829	1,78,486	1,31,836	1,95,840	2,35,814
Change in intangible	(3,569)	(21,945)	(65)	(326)	(343)
Capex	(18,834)	(6,798)	(12,000)	(12,000)	(12,000)
Investments	(63,659)	(73,241)	(659)	(3,329)	(3,495)
Investing cash flow	(60,956)	(69,318)	5,598	4,794	17,037
Free Cash Flow	1,23,490	1,69,192	1,17,407	1,81,305	2,21,227
Dividend	(36,171)	(47,179)	(47,179)	(88,205)	(1,29,230)
Equity	10,561	18,190.46	-	-	-
Debt	(4,498)	(790)	0	0	0
Financing cash flow	(30,108)	(29,778)	(47,179)	(88,205)	(1,29,230)
Net change in cash	51,260	76,894	87,826	1,09,894	1,21,034
Opening cash	56,646	1,07,906	1,84,799	2,72,625	3,82,519
Closing cash	1,07,906	1,84,799	2,72,625	3,82,519	5,03,553

Key Ratios	FY25	FY26	FY27E	FY28E	FY29E
EPS	98.7	130.9	147.0	181.1	224.2
	10%	33%	12%	23%	24%
P/E (Standalone)	32.5	24.5	21.8	17.7	14.3
EV/EBDITA (x)	20.6	15.8	12.8	10.2	8.0
Book value	513	618	726	834	950
P/B (x)	6.3	5.2	4.4	3.9	3.4
Subsidiary Valuation	464	464	464	464	464
EPS (Core EPS)	98.7	130.9	147.0	181.1	224.2
P/E (Core)	27.8	21.0	18.7	15.2	12.3
EV/EBITDA (Core)	22.9	18.0	14.7	11.7	9.3
ROCE	20.1%	22.4%	19.5%	21.0%	22.9%
ROE	20.8%	23.2%	21.9%	23.2%	25.1%
<b>Days</b>					
Inventory	42.4	34.0	31.0	29.0	27.0
Debtor	16.1	15.3	14.3	13.3	11.3
Creditor	65.8	66.3	63.3	56.8	52.2

Source: Company, Arianth Research

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100/101 CIN: L66120MP1992PLC007182

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

## Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800

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**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800