

CMP: INR 3,675

Rating: Buy

Target Price: INR 4,478

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)	4,569
52w H/L (INR)	3,840/2,360

Shareholding Pattern %

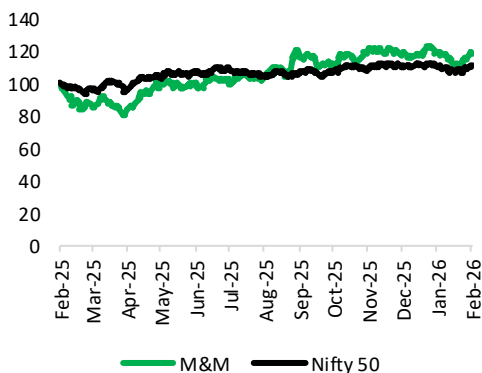
(As on Dec, 2025)

Promoters	18.43
Public and others	81.57

Stock Performance (%)

	1m	3m	12m
M&M	-0.19	-1.98	19.08
Nifty	0.98	1.41	10.92

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 385,168 Mn, above our estimate of INR 402,901 Mn registering a growth 26.1% YoY/up 15.2% QoQ. EBITDA stood at INR 52,926 Mn, above our estimate of INR 58,617 Mn, Registering a growth of 20.7%YoY/up 10.1%QoQ. On the margins front, the EBITDA margin is contraction 6bps YoY/down 6bps QoQ to 13.7%, below with our estimate of 14.5% led by increase in RM and other expenses. Standalone PAT down by 13% QoQ/+32.6% YoY to INR 39,313 Mn above our estimate of INR 38,990 Mn. Auto: Q3 SUV revenue market share at 24.1%, up 90 bps Farm: Q3 market share at 44.0%, down 20 bps; volumes at 150k, up 23%. 90 bps YoY increase in SUV revenue share and 10 bps YoY increase in LCV (< 3.5T) market share in Q3. Tractor business gained 20 bps YoY to reach an impressive 44.1% share for YTD FY26. New launches XEV 9S, and the XUV 7XO have received very positive response in the market.

Investment Rationale

SUV Leadership with Multi-Year Capacity Visibility: SUV portfolio continues to gain share, with 26% YoY volume growth and revenue market share of ~24%. The company has built a strong franchise across price points, including sub-INR 10 lakh products such as Bolero and 3XO, mitigating concentration risk in premium segments. Capacity expansion plans are clearly mapped: 5,000–6,000 units/month ICE addition in FY27, ~3,000 EV units/month incremental capacity, further 7,000–8,000 units/month via the IQ platform in CY27, and a Greenfield Nagpur plant ramping toward 500,000 annual capacity over time. This multi-year capacity roadmap provides revenue visibility and supports sustained growth without supply-side constraints.

EV Business Turning EBITDA Positive with Scalable Economics: The EV business generated INR 1,750 Mn EBITDA (end-to-end) in Q3, demonstrating improving unit economics at relatively early scale. M&M's EV strategy is now transitioning from investment phase to early monetization, with 41,000+ electric SUVs sold and cumulative driving of 325 Mn km. PLI approvals for key variants (9E, 9S and B6) enhance margin support and regulatory visibility. Monthly volumes of 7,000–8,000 units are expected in CY27 (~80,000+ annually), supported by the upcoming IQ platform. Importantly, the company is embedding connected and digital features across even entry variants, strengthening value perception.

Farm Business Cyclical Recovery with Margin Resilience: The Farm segment delivered 23% YoY volume growth with 240 bps margin expansion, taking EBIT margins to 21.2%. Industry growth for FY26 is now expected at ~24%, significantly above earlier projections. Export volumes grew 36% YoY, while farm machinery revenue increased 45% YoY, indicating diversification beyond core tractors. Rural tailwinds, favourable reservoir levels and supportive government policies underpin near-term demand. Even as growth normalizes, the company's cost structure and premium positioning should allow margins to remain healthy, making farm a high-cash-generating vertical supporting group-level capital allocation flexibility.

Outlook and valuation

The company continues to gain share in SUVs, with 26% YoY volume growth and plans to add 5,000–6,000 units per month of ICE capacity and ~3,000 units per month of EV capacity in FY27, followed by further expansion in CY27 and a new Greenfield plant from CY28. The EV portfolio is scaling well, with over 41,000 units sold so far and EBITDA turning positive (INR 175 crores in Q3), while PLI approvals are expected to further support margins. In Farm, industry growth for FY26 is now expected at ~24%, significantly higher than initial estimates, with margins near peak at 21.2%, although management remains cautious given the high base for next year. Commodities are a watch-out, but a 1% price hike has already been taken and pricing power seems intact. With consolidated revenue crossing INR 50,000 crores, ROE at ~20%, strong cash flows and a clean capital allocation approach, the company is entering a multi-year earnings upcycle. However, **We maintain our rating on the stock to Buy with a revised SOTP-based target price of INR 4,478 per share.**

Exhibit 2: Quarterly results summary Q3FY26

INR Mn	Q3FY26	Q2FY26	Q3FY25	QoQ %	YoY %
Net Sales	3,85,168	3,34,216	3,05,382	15.25%	26.13%
Cost of material consumed	2,93,455	2,52,786	2,27,268	16.09%	29.12%
Staff Cost	13,888	12,984	12,850	6.96%	8.08%
Other expenses	24,900	20,355	21,422	22.33%	16.24%
Total expenses	3,32,242	2,86,124	2,61,540	16.12%	27.03%
EBITDA	52,926	48,092	43,843	10.05%	20.72%
Depreciation	10,516	10,406	10,451	1.05%	0.63%
EBIT	42,410	37,686	33,392	12.53%	27.00%
Interest	632	590	614	7.05%	2.82%
Other Income	11,226	23,599	6,901	-52.43%	62.68%
Profit before exceptional items and tax	53,005	60,695	39,679	-12.67%	33.58%
Extraordinary	-982	0	0		
Profit/(loss) before tax	52,023	60,695	39,679	-14.29%	31.11%
Tax	-10,214	-15,489	-10,036	-34.06%	1.78%
Reported PAT	39,313	45,205	29,643	-13.03%	32.62%
EPS	32.72	37.64	24.70	-13.07%	32.47%
Margins	Q3FY26	Q2FY26	Q3FY25	QoQ %	YoY %
Gross margins	23.81%	24.36%	25.58%	-6bps	-18bps
EBITDA	13.74%	14.39%	14.36%	-6bps	-6bps
PAT	10.21%	13.53%	9.71%	-33bps	5bps
Tax Rate	-23.98%	-25.52%	-25.29%	15bps	13bps
Tractor Segment	Q3FY26	Q2FY26	Q3FY25	QoQ %	YoY %
Total Tractors Volume	1,49,567	1,22,936	1,21,774	21.66%	22.82%
Total Automotive Volume	2,98,902	2,59,118	2,45,499	15.35%	21.75%
Total Volume (Auto + Farm)	4,48,469	3,82,054	3,67,273	17.38%	22.11%
Aveg Relizations (Auto)	9,48,855	9,62,074	9,12,837	-1.37%	3.95%
Aveg Relizations (FES)	6,81,948	6,94,666	6,70,697	-1.83%	1.68%
Blended realisation	8,69,313	9,19,431	8,44,139	-5.45%	2.98%

Exhibit 3: SOTP Valuation

Listed Subsidiary	Valuation Basis	CMP	M&M stake	% Stake	Mcap (INR Mn)	Value/share
Tech Mahindra Limited		1,634	24,80,22,598	25	4,05,269	338
Mahindra & Mahindra Financial Services		382	64,43,99,987	52	2,46,161	205
Mahindra Holidays & Resorts		381	13,48,35,922	67	51,372	43
Mahindra Lifespace Developers		381	7,93,19,550	51	30,221	25
Mahindra EPC Irrigation		127	1,51,44,433	54	1,923	2
Swaraj Engines		3,678	63,31,141	35	23,286	19
Mahindra Logistics Ltd		413	4,18,12,257	58	17,268	14
EV Business (30% Holdco discount)			2,00,284	5		161
<i>Listed Subsidiaries (INR mn)</i>					7,75,501	646
						646
Sub Valuations Post Discount (20%)			20%		-	517
						678
Core auto business EV/EBITDA	FY28E	14.8				3,800
Value/Share					CMP	4478
CMP as on 11th Feb 2026					Upside	21.9%

Source: Arihant Research, Company Filings

Mahindra & Mahindra (M&M)-Q3FY26

Auto Business

- SUV volumes grew 26% YoY, maintaining leadership position, while LCV market share improved to 51.9% (+10 bps). Revenue market share in SUVs stands at ~24%, with strong traction in sub-INR 10 lakh portfolio (Bolero, Bolero Neo, 3XO).
- Auto standalone EBIT margin (ex-contract manufacturing) improved to 10.4%, 90 bps YoY margin expansion, driven by favourable mix, operating leverage and cost discipline.
- Reported standalone auto margin stood at 9.5%, impacted by contract manufacturing mix.
- Demand momentum remains robust across ICE portfolio, with GST rationalization supporting better mix migration.

EV Performance

- Electric SUV sales crossed 41,000+ units, averaging ~4,000 units per month, with cumulative usage exceeding 32.5 crore Km, indicating strong adoption.
- EV business generated INR 175 crores EBITDA (end-to-end) in Q3: INR 149 crores at subsidiary level and INR 27 crores at M&M level.
- The company expects EV volumes of 7,000–8,000 units per month in CY27 (~80,000+ annually) based on current traction, with further scale-up supported by upcoming IQ platform launches in 2027.
- AI-led and tech-enabled features are now embedded even in entry variants, improving value perception and mitigating prior premium-skew risks seen in earlier launches.

PLI approvals: 9E – All variants approved, 9S – Top packs approved; full approval expected by Q1, B6 – Approval expected by Q1.

Capacity Expansion

- ICE capacity addition of 5,000–6,000 units/month by July–August FY27, alongside ~3,000 units/month EV capacity addition, implying total incremental capacity of 7,000–8,000 units/month in FY27.
- Calendar 2027 will see further 7,000–8,000 units/month addition from Chakan (IQ platform), while the Nagpur Greenfield plant (CY28) is expected to add 8,000–10,000 units/month initially, ramping toward 500,000 annual capacity over time.
- Capex remains within earlier guidance; detailed outlook to be shared in May.

Farm Business

- Farm volumes grew 23% YoY, with 240 bps margin expansion, taking core tractor EBIT margin to 21.2%, near historical peak levels.
- Domestic farm operating profit grew 64% YoY, partially offset by international impairments (Japan entity and Turkey foundry).
- Export volumes increased 36% YoY, while farm machinery revenue grew 45% YoY, with monthly revenues crossing INR 100 crores consistently in recent months.
- Industry growth for FY26 now expected at ~24%, significantly higher than initial low double-digit expectations.

Mahindra Finance

- Operating profit grew 97% YoY, while reported PAT declined 9% YoY due to base effect.
- AUM grew 12% YoY despite prior strategic focus on asset quality rather than aggressive growth.
- GS3 remains below 4%, against internal benchmark of 4.5%, marking completion of a 3-year asset quality repair cycle.
- With technology upgrades, tighter underwriting and strengthened leadership, the company has pivoted toward calibrated growth.

Exports

- Export volumes remained below peak levels but showed signs of stabilization. Management indicated improving demand trends in select international markets. Currency volatility and global macro uncertainties continue to impact near-term outlook. The company remains focused on expanding its global footprint while maintaining margin discipline. Export recovery is expected to be gradual rather than sharp.

Other highlights

- Commodity inflation visible across precious metals and iron-linked inputs; hedging program provides partial insulation.
- 1% price hike implemented in January; further action contingent on sustained commodity trends.
- Operating cash flow remained strong, with robust cash generation across businesses.
- Gross cash position remains healthy, supporting: Capacity expansion, EV investments, Portfolio restructuring, and Potential shareholder returns.
- Growth Gems profits grew 3x YoY, with aggregate valuation previously disclosed at INR 56,000 crores.

Standalone Financial

P&L (INR mn)	FY25	FY26E	FY27E	FY28E
Net sales	11,64,837	14,63,588	16,90,437	19,53,956
YoY (%)	17.9	25.6	15.5	15.6
Raw material cost	8,63,402	10,75,737	12,37,400	14,28,342
Employee Cost	48,815	57,113	65,680	75,532
Admin Expenses	89,875	1,21,478	1,38,616	1,56,316
Total expenses	10,02,091	12,54,328	14,41,696	16,60,190
EBIDTA	1,62,746	2,09,260	2,48,741	2,93,765
(%)	14.0%	14.3%	14.7%	15.0%
Depreciation	42,268	41,404	43,516	46,456
EBIT	1,41,886	1,67,856	2,05,225	2,47,309
Interest	2,505	2,099	2,152	2,451
Other income	17,119	26,832	30,991	35,822
PBT	1,56,500	1,92,588	2,34,064	2,80,680
(-) Tax	(37,952)	(45,466)	(55,005)	(65,727)
Tax/ PBT	(24.3)	(23.6)	(23.5)	(23.4)
PAT	1,18,549	1,47,122	1,79,059	2,14,953
YoY (%)	10.6	24.1	21.7	20.0
PAT(%)	10.2%	10.1%	10.6%	11.0%
Extraordinary	-	-	-	-
Reported Profit	1,18,549	1,47,122	1,79,059	2,14,953

B/Sheet (INR mn)	FY25	FY26E	FY27E	FY28E
Equity capital	6,004	6,004	6,004	6,004
Reserves	6,09,847	7,20,799	8,63,687	10,11,016
Net worth	6,15,851	7,26,803	8,69,691	10,17,020
Total Loans	11,351	13,348	15,344	17,340
Def Tax Liability	16,629	16,629	16,629	16,629
Assets held for sale				
Total Liabilities	6,43,830	7,56,779	9,01,663	10,50,988
Gross Block	1,77,249	1,93,249	2,09,249	2,25,249
Less: Acc. depreciation	42,268	41,404	43,516	46,456
Net block	1,34,981	1,51,845	1,65,733	1,78,793
Investments	4,12,991	4,15,050	4,15,653	4,18,702
Inventories	1,03,333	1,23,738	1,42,333	1,64,296
Debtors	57,256	60,985	70,438	81,418
Cash	1,07,905	1,37,333	2,34,045	3,42,985
Loans and advances	85,428	1,56,723	1,77,140	2,00,858
Other Current assets	41,865	42,451	43,045	47,350
Current assets	3,95,787	5,21,229	6,67,001	8,36,907
Current liabilities	2,91,215	3,00,096	3,10,632	3,41,696
Current liabilities & Provisions	3,42,196	3,31,344	3,46,724	3,83,413
Net current assets	53,591	1,89,885	3,20,277	4,53,493
Total Assets	6,43,830	7,56,779	9,01,663	10,50,988

Source: Company, Arianth Research

Standalone Financial

Key Ratios	FY25	FY26E	FY27E	FY28E
EPS	98.7	122.5	149.1	179.0
Growth % YoY	10%	24%	22%	20%
P/E (Standalone)	37.2	30.0	24.6	20.5
EV/EBDITA (x)	24.0	18.5	15.2	12.5
Book value	513	605	724	847
P/B (x)	7.2	6.1	5.1	4.3
Subsidiary Valuation	517	517	517	517
EPS (Core EPS)	88.5	109.6	133.8	161.1
P/E (Core)	35.7	28.8	23.6	19.6
EV/EBITDA (Core)	26.3	20.3	16.7	13.8
ROCE	20.2%	21.3%	20.2%	20.7%
ROE	20.8%	21.9%	22.4%	22.8%
Days				
Inventory	42.0	42.0	42.0	42.0
Debtor	15.2	15.2	15.2	15.2
Creditor	65.8	59.5	53.1	48.7

Cash Flow	FY25	FY26E	FY27E	FY28E
Net Profit	1,18,549	1,47,122	1,79,059	2,14,953
Depreciation	42,268	41,404	43,516	46,456
Deferred tax	(37,952)	(45,466)	(55,005)	(65,727)
Change in W/C	38,060	(78,575)	(33,680)	(24,276)
Operating cash flow	1,60,925	64,486	1,33,889	1,71,406
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)	1,215	(851)	5,613
Free Cash Flow	1,39,586	46,387	1,15,738	1,52,955
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)	(34,174)	(34,175)	(65,627)
Net change in cash	51,259	29,428	96,712	1,08,940
Opening cash	56,646	1,07,905	1,37,333	2,34,045
Closing cash	1,07,905	1,37,333	2,34,045	3,42,985

Source: Company, Arihant 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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