

## MAHINDRA AND MAHINDRA LTD

Sector

Automobiles

May 30, 2022

Buy at CMP: Rs 952 | Target: Rs 1087 (14%) | SL: Rs 850



# Mahindra

### Script Details

BSE Group	A
BSE Code	500520
NSE Code	M&M
Bloomberg Code	MM IN
Market Cap (INR Cr.)	118,501
Free Float (%)	80.53%
52wk High/Low	979/671
Avg. 20 Day Volume (Mn)	3.32
Face Value (INR)/ D. Yield (%)	5/0.9
Total Paid Up Eq. Shares	1,243

### Share Holding Pattern (%)

Promoters	Public	Others
19.47%	80.53%	—

### Share Price Relative Performance



Mahindra & Mahindra is the flagship company of the Mahindra Group. It enjoys a leadership position in utility vehicles, information technology, financial services and vacation ownership in India and is the world's largest tractor company, by volume. It also enjoys a strong presence in agribusiness, aerospace, commercial vehicles, components, defense, logistics, real estate, renewable energy, speedboats and steel, amongst other businesses.

### Investment Rationale

- ◆ **Dominant Presence in Recently Popular 'SUV' segment:** From 2019, 'SUV's has gained traction in passenger vehicles. As of May-2022, SUVs account for 43% of all Industry's passenger vehicle sales, compared with just 26% in 2019. M&M's portfolio comprised of SUV models and it has been successful to bring new products to cement its dominant 'SUV' segment position. It has launched XUV 700 with a robust sales response and newly resized Popular 'Scorpio N'. Hence this SUV tailwind to amplify its sales.
- ◆ **Tie-up with Volkswagen to Fasten EV SUV Launch:** M&M form a definitive agreement with VW. Its In-House 'Born Electric Platform' to equipped with VW's Modular electric Drive which is designed for full electric vehicles with a range up to 500 KM. M&M plane to have 16 EV models on road by 2027 (13 Utility vehicles). It aspires to have 20% market share in electric utility vehicles. The Tie-up to give direction and fasten the launch of EV SUV.
- ◆ **Aid in Sales Growth Amid Strong Near Term Triggers:** Auto sector to Remain in focus in near term as recently Imposed export duty of 15% on steel to aid in Cool off key of raw material prices and Improve profitability of company. The Cut in Excise Duty of Petrol and diesel to reduce operating cost of vehicle. The downward trend of auto sales from 2018 is stabilizing and ease in Semi-Conductor shortage helping to serve pending order backlog.
- ◆ **Outlook and Valuations:** The Near term triggers of softening of input costs, increased production and Recent price hikes to drive company's revenue, also its vehicle offerings are in line with the industry trends. M&M's stocks is trading at PE of 19(x) for FY22 earnings. We estimate a 3% CAGR in Topline over FY22-25E, which implies a forward PE (x) of 18 for FY 25E. M&M's Historical average median PE is 23.5. which result per share value of Rs1087. We recommend BUY on M&M at CMP of Rs. 952 with Target price of Rs. 1087 (14%).

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22	90,171	14,683	6,577	18.0	12.0
FY23E	92,876	15,123	6,037	19.6	11.7
FY24E	95,662	15,577	6,218	19.1	11.3
FY25E	98,532	16,044	6,405	18.5	11.0

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- M&M has been moving in a strong uptrend since March 2020 as it maintains the higher highs and higher lows formation.
- For past 1 Year the stock is moving in a range between 730-980. We can witness a volume pick up at every rise in a stock price which shows bullish undertone of the stock
- The stock is showing relative outperformance as it trades just 4% lower from the life highs whereas Nifty is lower by about 12%. The stock has formed a long Bullish candle in the current week and broken above the previous swing high level.
- On the indicator front the RSI indicator plotted on weekly has given a breakout indicating bullish momentum in the counter.



### Inference & Expectations

- M&M is showing relative outperformance.
- Going ahead we expect the stock to move higher towards 1100 level.
- 850 level will act as a major support on the downside.

Invest now



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