

14th Nov '24 - Mahindra & Mahindra Q2FY25 - Everything you need to know - Results review, Intrinsic Value, Target Price and Analyst Recommendations.

Q2FY25 results review: (consolidated figures) (results were announced on 7th Nov 2024)

1. Revenue up 10% YoY to ₹37,924 crore.
2. EBITDA up 19.88% YoY to 5,270 crore. Margins at 19.13% vs 18.09% YoY.
3. Net Profit up 35% YoY to ₹3,171 crore.
 - a. Contribution from Auto business at ₹1,423 crore.
 - b. Contribution from Farm business at ₹800 crore.
 - c. Contribution from Services business at ₹947 crore.
4. Strong operating performance in Auto & Farm.
5. ROE for H1FY25 at 18.9% - This is the highest ever ROE.
6. EPS for H1FY25 at ₹57.6 per share - Growing at a CAGR of 40% since H1FY22.
7. Closing cash balance for H1FY25 stood at ₹19,224 crore. Net cash generation stood at ₹4,607 crore.
8. Auto business performance:
 - a. Q2FY25 revenue up 15% YoY to ₹21,755 crore.
 - b. PBIT up 36% YoY to ₹1,952 crore. Margins stood at 9.5%, up 140 bps.
 - c. 3 launches in 6 months. Total volumes up 9% YoY.
 - d. SUV market share at 21.9%, up 190 bps.
 - i. SUV volumes up 18% YoY.
 - ii. Electric SUV launching on 26th November 2024.
 - e. LCV market share at 52.3% YoY, up 260 bps.
 - i. LCV volumes down 6% YoY.
 - f. PBIT margin 9.5%, up 140 bps.
 - g. PAT up 40% YoY to ₹1,423 crore.
9. Farm business performance:
 - a. Market share at 43.7%, up 90 bps.
 - b. Q2FY25 revenue down 2% YoY to ₹8,194 crore.
 - c. PBIT up 6% YoY to ₹1,115 crore. Margins at 17.5%, up 150 bps.
10. Services PAT up 1.8x times.

Intrinsic Value

With the ramping up of the production and high demand for many models, the management is confident of doing better than the industry growth rate and retains the sales growth target of more than 10% but expects some margin pressure. Tractor sales may also see some revival.

Current Valuation Status: (as on 14th November 2024)

The current valuation of the M&M stock stands at ₹2,304 per share at 21x Current TTM EPS of ₹95.43 including a well deserving 15% premium . The current price of the stock is ₹2,818 per share.

I don't understand the reason why other analysts are adding an odd ₹400 per share valuation for listed subsidiaries. I'll not add it because they are 'listed subsidiaries'. Apart from this, EVs from M&M are making a buzz in the market but right now they contribute negligibly to the EPS, so giving them a special valuation seems unnecessary at the moment.

Target Price:

The M&M stock is a Hold at current level (CMP: ₹2,818) with a Target Price of ₹2,623 per share including a 15% premium based on 21x FY25E EPS.

My target price is 7% below the CMP but I've given a Hold rating to the stock because right now, Mahindra & Mahindra seems to be the undisputed king of India's SUV car market and it is possible that the company may give positive earnings surprises but that will only help to reduce the spread between my target price and the current price.

Analysts Recommendation:

1. Nomura

Buy with a target price of ₹3,664 (raised from ₹3,417). They raised revenue forecasts for FY25 to FY27 by 1 to 2%. They have also upped the FY25 tractor volume growth to 7% from 5%

2. Sharekhan

Buy with a SOTP target price of ₹3,490 due to healthy traction in PV segment, market leadership in tractor segment, opportunity to grow in the

farm machinery segment and the roadmap to play in the EV space.

3. Jefferies

Buy with a target price of ₹3,700 (raised from ₹3,510).

4. BNP Paribas

Rated Outperform with a target price of ₹3,400 (raised by 2%). They have raised EPS forecasts for FY25 to FY27 by 1 to 7%.

5. Prabhudas Lilladher

Buy with a target price of ₹3,456 at 26.5x Sep '26E core EPS, ₹229 for the EV business and ₹411 for listed subsidiaries. They estimate Revenue, EBITDA and PAT to grow at a CAGR of 14.5%, 20.1% and 13.7% over FY24 - 27E.

6. LKP Research

Buy with a target of ₹3,262 (standalone business valued at ₹2,812 at 21x FY26E EPS, while the subsidiaries are valued at ₹450)

This is a report by Chaitanya Sabharwal for guruspakes.com/markets
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