

Mahindra & Mahindra (MM) - BUY

Result Update

Current Market Price (CMP) Rs.808	Target Price Rs.975
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Our fair value of Rs.975 offers 20.7% upside from the current market price.

Rationale:

- Management has taken multiple steps to improve its capital allocation strategy.
- Turnaround in international farm & auto subsidiaries will aid in meeting its RoE target.
RoE – Return on Equity
- Company highlighted tractor segment fundamentals continue to remain strong.
- We expect earnings per share (EPS) to grow by 33.9% in FY22E and 36.2% in FY23E.
- Cheap valuations; value the stock on Sum of The Parts (SoTP) methodology.

Q4FY21 Earnings update:

👍 Positives:

- Net revenues came in at Rs13,338 cr (+48% yoy), led by 33% yoy higher volumes.
- Auto division revenues grew 43% yoy; Tractor division revenues increased 60% yoy
- Tractor EBIT (Earnings before interest & depreciation) margin at 22% was up 440 bps yoy.
- New Thar launch has spurred some optimism in automotive business.

👎 Negatives:

- In auto segment, semi-conductors shortage remained an area of concern for MM.

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For detailed report dated 28th May 2021. Note: CMP & valuation may differ due to difference in dates.



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