

Pick of the week



Mahindra & Mahindra Ltd

Recommendation

BUY

Time Period

12 Months

Current Price

₹ 794

Target Price

₹ 975

Potential Upside

22.8%

Investment Argument

- From FY22E onwards (Fly strategy), the company will launch models, focus on EV portfolio, focus on sport utility vehicle (SUV) core brand differentiation and will build path to profitability for global subsidiaries
- The company expects to launch new Scorpio, W620 and XUV700 in CY21-22E. The company intends to launch nine new products by CY26E. In the light commercial vehicle (LCV) business, the company will launch 14 new products by CY26E to strengthen its leadership position.
- The company highlighted tractor segment fundamentals continue to remain strong. The company has guided for low single-digit domestic tractor industry volume growth on a yoy basis in FY22E.
- M&M management has taken multiple steps to improve its capital-allocation strategy by selling stakes in lossmaking subsidiaries and exiting certain JVs or deals which would have consumed capital.
- Turnaround in international farm and auto subsidiaries will aid the company to meet its return on equity (RoE) target. We value M&M on sum-of-the-parts valuation.