

# M&M: Exports & EV expansion to be key

## ● Strong response to BEVs; EV bookings to begin on February 14

MAHINDRA & MAHINDRA (M&M) reported its Q3 FY25 revenue at ₹30,500 crore, marking a 21.1% y-o-y increase, aligning with internal projections but falling 2% short of market consensus. Average selling prices (ASPs) experienced a q-o-q decline of 0.4% in the Auto segment and 3.6% in the farm segment. The Ebitda margin stood at 14.6%, consistent with expectations (Nomura: 14.6%, consensus: 14.4%). The auto segment's Ebit margin was 9.7%, surpassing Nomura's estimate of 9.3%, while the Farm segment's Ebit margin was 18.1%, in line with the anticipated 18%. Consequently, the PAT reached ₹2960 crore, reflecting a 21% y-o-y growth.

**Auto segment:** The management anticipates that recent income tax reductions will bolster demand. The 3XO and Thar Roxx models are experiencing strong demand, particularly the petrol variant of the 3XO, which has faced supply constraints. The company plans to focus on expanding exports in the future. Price increases were implemented at 0.7% during 9M FY25 and an additional 0.8% in January 2025.

**EV:** Consumer response has been positive, attracting a new profile of

luxury segment customers. The initial production capacity is set at 5,000 units per month, with aggressive localisation plans. M&M will contract manufacture EVs for Mahindra Electric Automobile Ltd. (MEAL; unlisted). The company expects Ebit per vehicle to be comparable to Internal Combustion Engine (ICE) vehicles in the medium term.

**Farm segment:** Tractor demand remains strong, with new launches driving market share gains. Company expects over 15% growth in Q4 FY25 for the industry, implying a 7% growth for FY25.

M&M's SUV CAGR is projected at 14% over FY25-27F, is expected to remain well above the industry. Income tax cuts are also expected to benefit higher-end segments. The initial response to battery electric vehicles (BEVs) has been strong, and we see potential upside to our sales estimates of 3,000-7,000 units per month over FY26-27F. EV bookings will commence on February 14. With continued traction in tractor demand and market share gains, we are revising our FY25F growth estimates to 10% y-o-y (from 7% earlier). While a rising BEV mix could drive higher ASPs, it may also lead to lower margins. Even if EVs weigh on near-term earnings, we would assign more weightage to EV's success as it is critical for long-term success.

NOMURA