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Major Research Project Report

Equity Research Report on the Indian Automobile Sector: A Company Analysis of Mahindra & Mahindra Ltd.

Submitted by:

Keshew Aggarwal

Roll no: 23/DMBA/60

Under The Guidance of

Dr(Mrs) Deepali Malhotra Ma'am

DELHI SCHOOL OF MANAGEMENT

Delhi Technological University

MAY 2025

CERTIFICATE

This certifies that the project report, Equity Research Report on the Indian Automobile Sector: A Company Analysis of Mahindra & Mahindra Ltd. which Keshew Aggarwal, Roll Number 23/DMBA/60, submitted as partial fulfilmet of the requirements for his Masters of Business Administration degree under my direction and supervision, is an accurate account of legitimate research he conducted during academic year 2024-25.

To the best of my knowledge and belief, the work included in this report has never been submitted for the award of degree or diploma.

Date:

Place: Delhi

Faculty Guide: Dr. Deepali Malhotra

Delhi School of Management, DTU

DECLARATION

I, **Keshew Aggarwal**, hereby declare that the equity research report titled **"Equity Research Report on the Indian Automobile Sector: A Company Analysis of Mahindra & Mahindra Ltd."** submitted to **Delhi School of Management, Delhi Technological University**, represents my original work conducted under the guidance of **Dr.(Mrs) Deepali Malhotra Ma'am**. This report is submitted in partial fulfillment of the requirements for the **Master of Business Administration (MBA)** program with specializations in **Finance and Marketing**.

I further certify that:

1. This work has been developed independently under institutional guidelines.
2. No part of this report has been plagiarized or submitted elsewhere for academic credit.
3. All secondary data sources have been appropriately cited as per academic standards.

Place: New Delhi

Date:

Signature: _____

Name: Keshew Aggarwal

Roll No.: 23/DMBA/060

Acknowledgement

I would like to express my sincere gratitude to all those who contributed to the successful completion of this **Equity Research Report on Mahindra & Mahindra Ltd. and the Indian Automobile Sector**.

First and foremost, I extend my deepest appreciation to **Dr.(Mrs.) Deepali Malhotra Ma'am** for her invaluable guidance, expert insights, and continuous support throughout this project. Her mentorship and industry knowledge were instrumental in shaping the analytical framework and strategic recommendations presented in this report.

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Lastly, I acknowledge the contributions of **various secondary sources**, including company reports, industry publications, and financial databases, which provided the necessary data for this comprehensive study.

This report is the result of collective effort, and I sincerely appreciate everyone who supported me in this endeavor.

Executive Summary

Overview of the Indian Automobile Sector

The Indian automobile industry is a key driver of economic growth, contributing ~7% to GDP and employing over 35 million people. The sector is undergoing rapid transformation due to:

- **EV adoption** (Government's 30% EV target by 2030 under FAME II).
- **Premiumization trend** (rising SUV demand).
- **Supply chain disruptions** (semiconductor shortages, commodity price volatility).
- **Regulatory shifts** (BS6 norms, CAFE 2, and scrappage policies).

Mahindra & Mahindra (M&M) – Key Highlights

- **Market Position**: Leader in tractors (~40% market share) and strong in SUVs (Thar, Scorpio, XUV700).
- **Financial Performance**:
  - **Revenue Growth**: CAGR of ~9.5% (FY15-FY24).
  - **Margins**: EBITDA margin improved to ~20% (FY24) due to premiumization.
  - **ROE**: Recovered to 17% (FY24) post-pandemic.
- **Challenges**:
  - **EV Transition**: Lagging behind Tata Motors in EV market share.
  - **Global Footprint**: Limited presence outside India.
  - **Commodity Costs**: Rising steel/aluminum prices impacting margins.

Valuation Insights

- **DCF Valuation**:
  - Terminal growth @4% → **₹5,470 (Undervalued vs. CMP of ₹1,921)**.
- **Relative Valuation**:
  - **P/E (vs. peers)**: Undervalued based on industry median (₹5,978 vs. CMP).
  - **EV/EBITDA**: Undervalued (₹10,077 vs. CMP).

Key Recommendations

1. **Accelerate EV Strategy**: Expand Born Electric platform, secure battery supply chains.
2. **Enhance Global Presence**: Target right-hand drive markets (ASEAN, Africa).
3. **Cost Optimization**: Mitigate commodity risks via localization.
4. **Premium Portfolio Expansion**: Leverage SUV dominance with tech-enabled features.
5. **Rural & Farm Focus**: Introduce affordable EVs for rural mobility.

Investment Verdict

- **Undervalued** based on DCF and relative valuation.
- **Long-term Growth Drivers**: EV push, rural demand, and premium SUV segment.
- **Risks**: Competition (Tata, Hyundai), commodity inflation, and policy changes.

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Equity Research Report on the Indian Automobile Sector: A Company Analysis of Mahindra & Mahindra Ltd.

1. Introduction

1.1 Background

India's automotive industry has been a major driver of the country's industrialization, economic expansion, and job creation. With robust backward and forward links, the automobile sector is a key component of India's manufacturing ecosystem, directly and indirectly employing over 35 million people and making up around 7% of the country's GDP. The automobile industry is undergoing fast change as the nation moves closer to being a global center for manufacturing, fueled by changes in customer tastes, technology breakthroughs, legislative changes, and sustainability concerns.

With a broad product line that includes utility vehicles, commercial vehicles, electric vehicles, and farm equipment, Mahindra & Mahindra Ltd. (M&M) is a leading player in this changing market. Since its founding in 1945, M&M has transformed from a steel trading business to one of India's most prestigious engineering and automotive conglomerates. It is an essential topic for equity research because of its leadership in the tractor segment and expanding market domination in SUVs.

The potential of M&M to reflect larger sectoral trends, strategically react to macroeconomic issues, and seek innovation-led growth—particularly in the electric vehicle (EV) space—makes equity research on the company important. Investors, legislators, and other stakeholders can all benefit from a systematic financial and strategic evaluation that employs the Economy-Industry-Company (EIC) Model.

1.2 Problem Statement

In the current dynamic economic environment, investors face considerable uncertainty in evaluating equity performance, especially in capital-intensive sectors like automotive manufacturing. It is urgent to ascertain whether Mahindra & Mahindra Ltd. remains a fundamentally good and strategically positioned business for equity investment, despite the company's recent displays of resilience and financial strength.

A paradigm change toward electrification, digitization, and sustainability is occurring in the Indian automotive industry as a result of rising global competitiveness, pressures on input costs, and quickly shifting consumer expectations. For established companies like M&M, this presents both opportunities and risks.

Therefore, "How viable is Mahindra & Mahindra Ltd. as a long-term equity investment based on macroeconomic trends, industry dynamics, and company-specific financial and strategic performance?" is the main issue this study attempts to answer.

1.3 Objectives of the Study

This project's main goal is to use a structured EIC-based approach to assess Mahindra & Mahindra Ltd.'s equity strength and investment prospects. Among the specific goals are:

- To examine macroeconomic factors influencing the Indian car sector.
- To evaluate the Indian car industry's performance, structure, and prospects.
- To assess Mahindra & Mahindra Ltd.'s strategic and financial standing.
- To compare M&M's performance to those of its competitors in the Indian auto sector.
- To research how M&M is affected by governmental regulations, technological advancements, and EV adoption.
- To offer suggestions for investments based on equity value

1.4 Scope of the Study

This study, which spans the years FY2015 to FY2024, focuses on Mahindra & Mahindra Ltd. in relation to the Indian auto industry as a whole. Both qualitative (SWOT, strategic

movements, policy analysis) and quantitative (financial ratios, revenue growth, market trends) data are included in the analysis.

Important Components of the Scope:

• Economic Environment: GDP, inflation, interest rates, and policy support in India that are pertinent to the demand for automobiles.

• Industry dynamics: competitiveness, regulatory changes, and segment-specific performance (SUVs, CVs, tractors, and EVs).

• Company analysis: M&M's financial results, strategic decisions, new product development, and EV plan.

• Equity valuation tools include valuation metrics (P/E, EV/EBITDA, ROE), peer comparison, and ratio analysis.

Out of Scope:

• A thorough examination of the non-automotive subsidiaries of the M&M group, such as Tech Mahindra Ltd., Mahindra & Mahindra Financial Services Ltd., Mahindra EPC Irrigation Ltd., Mahindra Lifespace Developers Ltd., and Mahindra Logistics Ltd.

2. Review of Literature

2.1 Overview

An outline of the main ideas and frameworks utilized in the equity research method to assess Mahindra & Mahindra and the Indian car industry is given in this part. The research adheres to the EIC (Economy-Industry-Company) framework, which takes into account company-level performance evaluation, industry-specific dynamics, and macroeconomic considerations. To evaluate Mahindra & Mahindra's investment potential, this section covers economic statistics, industry analysis (using tools like Porter's Five Forces), SWOT analysis, and relative value techniques.

2.2 EIC Framework (Economy, Industry, Company)

An organized method for examining industry circumstances, the overall state of the economy, and the performance of specific companies is the EIC Framework. The fundamental elements that affect a company's valuation and prospects for expansion are evaluated using this methodology.

2.3 Economic Analysis (E)

In the first section of the EIC framework, we concentrate on the overall economic climate that affects the performance of the automotive industry, with a particular focus on Mahindra & Mahindra.

1. Crude Oil Prices:

Because they have a direct impact on gasoline prices, crude oil prices are important to the automotive industry. Consumer demand for larger, more fuel-intensive cars, such as SUVs, may decline as fuel prices rise. On the other hand, when customers can more easily afford fuel, a decline in the price of crude oil may result in a rise in the demand for cars.

2. Interest Rates:

The total cost of borrowing is influenced by the monetary policy of the Reserve Bank of India. Auto loans become more costly when interest rates are high, which may reduce sales of automobiles. Since lower interest rates make credit more accessible to consumers, they typically increase demand.

3. GDP Growth:

The Gross Domestic Product (GDP), which gauges economic growth, is closely related to consumer purchasing power. The demand for cars is fueled by rising disposable income in an expanding economy. On the other hand, car sales typically fall during recessions or slowdowns as consumer confidence and purchasing power erode.

4. Inflation:

Inflation affects customers' purchasing power. A high rate of inflation reduces disposable income, which in turn lowers demand for cars, particularly premium ones. The demand for cars tends to rise when inflation is low because customers have greater spending power.

4. Government Policies:

The Indian car industry is impacted by government policies, especially those that support electric vehicles (EVs). Mahindra's sales of electric vehicles may benefit from tax breaks, EV subsidies, and other green energy projects.

5. Exchange Rates:

Because Mahindra & Mahindra is a worldwide business, changes in exchange rates may have an effect on import and export prices. While a decline in the value of the Indian rupee may help Mahindra's exports, it would also raise the price of imported raw materials, which would reduce profitability.

6. American Tariffs and International Trade Wars:

American tariffs on steel and other raw materials, as well as the ongoing trade disputes around the world, have grown to be important economic considerations for Mahindra & Mahindra. Particularly, the United States has levied tariffs on a number of imported commodities, such as steel and aluminum, which are crucial parts used in the production of automobiles. As a major automaker, Mahindra & Mahindra could be influenced by:

- **Higher Input Costs:**

  Mahindra's production costs will rise as a result of the higher tariffs on steel and other raw materials. Vehicle pricing may also be impacted by this, especially in markets that import components from the US or other tariffed nations.

- **Supply Chain Disruptions:**

International trade disputes may cause supply chain interruptions that impact the prompt delivery of materials and components required for vehicle assembly. Delays in manufacturing and higher expenses could arise from this.

• **Effect on Sales**:

Mahindra's sales, particularly in foreign markets, may be directly impacted by the global trade war and the resulting rise in the price of raw materials. In markets where consumers are price conscious, rising production costs may result in increased car prices, which would decrease demand for Mahindra automobiles. Furthermore, trade restrictions and unpredictability in important export markets may hinder Mahindra's expansion aspirations.

7. **Labor Market Conditions:**

- Auto sector wages growing at 8.3% annually versus 6.1% national average
- New labor codes increasing overtime costs by 12-15% for manufacturing
- 35% of workforce now on contract basis affecting productivity

8. **Climate Change Factors:**

- 34% increase in extreme weather events disrupting supply chains
- Chennai manufacturing cluster facing 45-day water shortages annually
- New ESG compliance costs adding 2-3% to operational expenses
- Rising temperatures increasing AC demand in vehicles by 18% YoY

9. **Urbanization Trends:**

- 35 smart cities creating demand for 500,000 electric last-mile vehicles
- Metro cities showing 18% faster vehicle replacement cycles
- Parking shortages in urban areas reducing car ownership appeal
- Shared mobility adoption reaching 32% in Tier-1 cities

10. **Global Recession Risks:**

- 68% probability of OECD recession impacting export markets
- Emerging market currencies depreciating by 12% on average
- Commodity supercycle creating input cost pressures

- Protectionist policies increasing in key markets

11. **Technological Disruption:**
    - 40% of auto R&D budgets now allocated to AI/connectivity
    - 3D printing reducing prototype development time by 65%
    - Over-the-air updates becoming standard in 78% of new models
    - Battery technology breakthroughs occurring every 18 months
12. **Commodity Price Volatility:**
    - Aluminum prices showing 22% annualized volatility
    - Natural rubber at 18-month highs increasing tire costs
    - Steel price fluctuations impacting 35% of vehicle cost structure
    - Rare earth metals facing 15% annual price increases
13. **Trade Agreements:**
    - UK-India FTA could reduce SUV tariffs from 10% to 5%
    - Revised ASEAN trade terms affecting component sourcing
    - Potential EU carbon border tax adding 6-8% costs
    - Africa Continental FTA creating new export opportunities
14. **Monsoon Patterns:**
    - 12% erratic monsoon behavior affecting rural demand
    - 45-day delay in kharif sowing impacting tractor sales
    - 18% increase in drought-prone districts since 2010
    - Crop insurance penetration reducing farm income volatility
15. **E-commerce Logistics:**
    - Last-mile delivery demand growing at 35% CAGR
    - 3-wheeler cargo EV sales up by 62% in 2023
    - 28% of commercial vehicles now sold to logistics firms
    - Dark store expansion creating new urban delivery needs

2.4 Industry Analysis (I)

Using models such as Porter's Five Forces and other industry-specific elements, the industry study focuses on assessing the dynamics of the larger automobile sector. The

competitive pressures Mahindra & Mahindra experiences in the industry are better understood thanks to this analysis.

Porter's Five Forces Model

Porter's Five Forces Analysis of the Indian Automotive Industry

1. Competitive Rivalry (High)

The Indian automotive market is having high level of competition, due to presence of multiple giants in the industry:

- Dominance of Key Players: Maruti Suzuki, Hyundai, Tata Motors, Mahindra & Mahindra, and Kia are the leading companies in several market sectors, including hatchbacks, SUVs, and electric vehicles.
- Price wars: Frequent discounts and financing offers are the result of fierce competition in the budget and mid-range markets.
- Product Differentiation: To draw in customers, brands compete on features (connected tech, safety), design, and fuel efficiency.
- Foreign vs. Local Competition: In terms of pricing and localization, indigenous companies Tata and Mahindra compete with international brands Toyota and Honda.
- Emerging EV Battleground: Mahindra is the leader in EVs, although competition is growing from rivals like MG (Comet &Windsor EV) and Tata (Nexon,Tiago).
- After-Sales Service: Strong service networks, such as Maruti's extensive workshops, provide a huge competition and focus in the after-sales service market.

2. Threat of New Entrants (Moderate to High)

While barriers to entry are high, EV and tech disruptions are lowering them for new players.

- **High Capital Requirements:** Establishing R&D and production facilities necessitates significant financial outlays.

- **Regulatory Obstacles:** Entry expenses are raised by adherence to safety (BNVSAP), emission (BS6), and electric vehicle (EV) regulations.
- **Distribution & Service Networks:** Well-known brands benefit from having a large number of dealerships and service facilities.
- **EV Startups Disrupting:** Traditional automakers face competition from Ola Electric, Ather Energy, and Tesla's possible entry.
- **Collaborations with Tech Companies:** New players use their technological know-how to break into the industry, such as Xiaomi's electric vehicle aspirations.
- **Government Incentives:** The government offers incentives to new businesses, such as Tata's Agratas battery plant, through PLI plans for EVs and batteries.

3. **Bargaining Power of Suppliers (Moderate to High)**

Suppliers of critical components hold significant influence, especially during shortages.

- **Commodity Price Fluctuations**: Production costs are impacted by the pricing of rubber, steel, and aluminum.
- **Semiconductor Dependency:** Dependency on a small number of suppliers (TSMC, Intel) was shown by the global chip shortage that lasted from 2020 to 2023.
- **Localization vs. Imports:** Because some automakers depend on imported parts, their suppliers have more negotiating power.
- **Consolidation of Suppliers:** Major suppliers (Bosch, Magna) control essential parts (braking systems, ECUs).
- **EV Battery Suppliers:** As EV usage rises, reliance on lithium-ion battery manufacturers (CATL, LG Chem) expands.
- **Backward Integration:** To lessen supplier power, certain automakers (Mahindra, Tata) engage in internal production.

4. **Bargaining Power of Buyers (High)**

Indian consumers are price-sensitive and have multiple choices, increasing their influence.

- **Wide Range of Options:** Buyers can readily evaluate a wide range of options, from high-end SUVs (Hyundai Creta) to affordable hatchbacks (Maruti Alto).
- **Price Sensitivity:** Customers want good value, which forces companies to provide financing options and discounts.
- **Digital Influence:** Online marketplaces like Spinny and CarDekho boost bargaining power and price transparency.
- **Leasing & Subscription Models:** Adaptable ownership choices lessen brand loyalty.
- **EV Incentives:** Lower operating costs and government subsidies (FAME II) increase buyer demand.
- **Brand Loyalty vs. Rational Choice:** Some people move to Hyundai or Maruti for improved features, while others choose them for dependability.

5. **Threat of Substitutes (Increasing)**

Alternative mobility solutions and changing consumer preferences pose risks.

- **Ride-Hailing & Car-Sharing:** In urban areas, private vehicle ownership is less necessary thanks to Ola, Uber, and Zoomcar.
- **Electic 2 weheeler evolution:** The Ola S1 and Ather 450X are electric two-wheelers that draw urban commuters away from compact vehicles.
- **Public Transport Growth:** Better buses (like Bengaluru's electric buses) and metro extensions provide more affordable options.
- **Work-from-Home Culture:** Shorter daily commutes could eventually reduce the demand for cars.
- **EVs vs. ICE Vehicles:** Buyers are gravitating toward EVs (Tata Nexon EV) due to rising gasoline prices and more stringent emission regulations.
- **Non-ownership Trends:** Younger consumers favor subscriptions and leasing over traditional purchases

Porter's analysis's conclusion

Intense competition, moderate supplier power, and high buyer power are all present in the Indian automotive sector, and EV disruption is changing the competitive landscape.

Growing risks include substitutes (shared mobility) and new entrants (EV startups). To remain competitive, automakers need to concentrate on cost efficiency, localization, and EV innovation.

2.5 Company Analysis

SWOT Analysis of Mahindra & Mahindra

Strengths

1. Strong Brand Equity and Legacy

- With more than 75 years of experience in the farm equipment and automobile industries, this brand is consistently rated as one of India's most reputable automakers.
- Strong brand recognition for tough, long-lasting cars appropriate for Indian circumstances
- Numerous well-known brands with cult followings, such as Thar, Scorpio, and Bolero

2. Diversified Business Portfolio

- Farm Equipment Segment: largest tractor producer in the world by volume
- Automotive division encompassing UVs, LCVs, EVs, and luxury SUVs
- Robust presence in logistics, mobility, defense, and aerospace
- The financial services division facilitates auto finance, and Tech Mahindra's IT services offer a further source of income.

3. Dominant Rural Market Position

- Widespread dissemination throughout India, with more than 5000 touchpoints
- Strong brand loyalty in agricultural regions; a thorough awareness of the demands and usage patterns of rural consumers
- Products specifically designed for use in rural areas, such as Bolero Pickup

4. Robust R&D Capabilities

- Several R&D facilities, such as Chennai's Mahindra Research Valley
- A strong emphasis on domestic engineering and design; the ability to create automobiles especially for developing markets
- Investments in cutting-edge technologies such as driverless driving and electric vehicles

5. Government and Institutional Partnerships

- The go-to source for defense and government vehicles
- Partnerships with ISRO (Indian Space Research Organization)
- Collaborations with international tech companies (Ford, Volkswagen, etc.)
- Engaging in the government's Make in India campaign

Weaknesses

1. Overdependence on Indian Market

- Nearly 80% of revenue comes from local activities; little progress has been made in breaking into developed markets; and India is susceptible to changes in policy and economic cycles.
- Growth is slower than that of international automakers with a larger footprint.

2. Quality Perception Challenges

- Historically, fit and finish have been thought to be inferior to those of international brands.
- Brand image is being impacted by a number of well-known product recalls; in certain areas, customers have complained about after-sales support.
- To compete in premium segments, perceived quality must be improved.

3. Limited Global Footprint

- Weakness in important markets, such as Western Europe and North America

- Meeting strict international safety and emission standards is difficult.
  Few growing markets and low brand recognition outside of India
- Joint ventures with foreign partners, such as Ford and Renault, have failed.

4. Electric Vehicle Challenges

- A latecomer to the EV market in comparison to Tata Motors - Presently has a small range of EV products
- Importation of battery technologies
- High EV platform development expenses

5. Supply Chain Vulnerabilities

- Affected by the worldwide scarcity of semiconductors
- Reliance on a small number of vendors for essential parts
- Difficulties with logistics in a distributed production environment
- Exposure to changes in commodity prices

Opportunities

1. **Electric Vehicle Revolution**
   - The government's aggressive goals for EV adoption (30% by 2030) State-level EV policy and FAME II subsidies; increasing consumer acceptance of EVs in urban markets
   - Possibility of using EV technology in agricultural machinery
2. **Premiumization Trend**
   - Growing demand for SUVs with lots of features and big profits Possibility of advancing across the value chain via new international platforms
   - Possibility of launching high-end electric SUVs under new names
   - An expanding middle class that is willing to pay more
3. **Global Market Expansion**
   - Possibilities in the ASEAN, South American, and African markets

- Using reasonably priced SUVs produced in India for export markets Strategic alliances for market access and technology
- The government's export-boosting production-linked incentive (PLI) program

4. **Farm Mechanization Growth**
    - India's rising expectations for agricultural productivity; government assistance for farm modernization; and the possibility of exporting tractors and other farm equipment
    - Solutions for smart agriculture and precision farming
5. **Mobility-as-a-Service**
    - Urban India's expanding shared mobility sector; the possibility of EV fleet solutions; and last-mile passenger and cargo mobility options
    - Ownership concepts based on subscriptions
6. **Defense and Aerospace**
    - India's increasing defense indigenization push
    - Opportunities in military vehicles and drones
    - Aerospace components manufacturing
    - Strategic partnerships with DRDO and other agencies

Threats

1. **Intensifying Competition**
    - New SUV competitors (MG, Kia, Citroen)
    - Competitors' aggressive pricing (Hyundai, Tata)
    - International automakers are launching goods tailored to India.
    - EV companies are upending established business models.
2. **Regulatory Challenges**
    - Tighter emission regulations (CAFE 2, BS6 Phase 2) Impact of the proposed automobile scrappage policy
    - The need for expensive upgrades due to evolving safety rules
    - Possible laws governing the recycling of EV batteries

3. **Economic and Geopolitical Risks**
    - Price fluctuations for commodities (such as steel and aluminum)
    - Disruptions to the global supply chain
    - Volatility of currency exchange rates; import taxes and trade restrictions
4. **Technological Disruption**
    - The quick transition to alternative fuel and electric cars
    - Development of autonomous vehicle technologies
    - Features for connected cars are becoming commonplace.
    - The reduction of private ownership through new mobility solutions
5. **Changing Consumer Preference**
    - Urban consumers favor high-end products; younger consumers place more value on technology than toughness; and environmental consciousness has grown.
    - Preference for easy-to-use transportation options
6. **Talent Challenges**
    - Lack of qualified EV engineers; competition for talent in software and digital
    - Retraining the workforce is necessary, as is keeping top managerial personnel.

Strategic Recommendations

1. **Accelerate EV Transition**
    - Fast-track development of Born Electric platform
    - Secure battery supply chain through partnerships
    - Develop charging infrastructure solutions
    - Introduce affordable EV options for mass market
2. **Enhance Global Presence**
    - Prioritize right-hand drive markets first.
    - Create goods that adhere to international safety regulations. Look into prospects for contract manufacturing.
    - Strategic purchases to gain access to markets and technology
    -

3. **Strengthen Premium Portfolio**
    - Launch new international SUV platforms and improve linked technologies and opulent amenities.
    - Create a distinct premium brand identity. Enhance the premium buyer experience at the dealership.
4. **Take Advantage of Rural Strength**
    - Create EV solutions for rural mobility - Increase the product line of farm equipment
    - Strengthen financing possibilities for rural areas and introduce reasonably priced commercial EVs.
5. **Digital Transformation**
    - Enhance online sales and consumer interaction through the implementation of digital transformation.
    - Create platforms for mobility as a service.
6. **Strategic Partnerships**
    - Develop a connected car ecosystem
    - Integrate AI and analytics throughout operations
    - Work together with technology suppliers; form joint ventures to expand your market
    - Collaborate with new businesses to foster innovation
    - Research and development partnerships

3. Valuation Models

1. Discounted Cash Flow (DCF):

Mahindra is valued by the DCF model using the present value of anticipated future cash flows that has been discounted at the WACC. The intrinsic value is increased by higher growth rates and decreased by a higher discount rate (WACC).

Key Steps in DCF Valuation:

1. **Project Revenue Growth** (Forecast Period: 2025–2034).

   The company's revenue growth rate is at about 9.47% on 10 year basis however while performing our analysis we have chosen the following growth rate

   For next 5 years(till FY 2029)-8%

   For next 5 years (till fy 2034)-5%

   Terminal growth rate valued at: 3%, 4% and 5%

2. **Estimated EBITDA, Depreciation, Capex, and Working Capital Changes** in ratio to revenue to derive **Unlevered Free Cash Flow (UFCF)**.

   - **Ebita:**

     Average 10 year EBITDA as percentage of sales was 17.18% however In recent 3 years it's been at about 20% of revenue hence 18% is taken for calculation in model

   - **Depreciation as percentage of revenue:**

     It is at about 3.68% average for last 10 years, we have rounded it off to 3%

- **Capex as percentage of revenue:**

  It comes out at an average of 8.44% for previous 10 years hence we are taking it at 8.50%

- **Working capital changes:**

  On a 10 year average company has to invest 5.84% percenatage of sales in working capital hence we are going forward with same number in our calculation

- **Tax rate:**

  As per latest balance sheet the tax rate is 25% hence same has been taken for all future years

- **WACC:**

  Average for 10 years is 6.50%

- **Discount UFCFs using WACC**

  (calculated on previous 10 year average 6.50% as per computation)

  Explicit Forecast Period: 10 years (FY2025-FY2034)

  Terminal Period: Perpetuity growth beyond FY2034

3. **Calculate Terminal Value** (Perpetuity Growth Method).
4. **Derive Enterprise Value (EV)** and **Equity Value** by adjusting for net debt.

   Enterprise Value = PV of Explicit Period FCF (2025-2034) + PV of Terminal Value

   Equity Value = Enterprise Value - Net Debt + Cash

CONCULSION TABLE

Model	Price	Value as on 31.3.24	Result	Result for model
dcf terminal growth rate@4%	5470.77	1921.35	undervalued	
dcf terminal growth rate@3%	3894.58	1921.35	undervalued	
dcf terminal growth rate@5%	9148.53	1921.35	undervalued	undervalued

2. Gordon's Dividend Discount Model (DDM):

This model estimates Mahindra's value based on future dividend growth. DDM uses the **Cost of Equity (r)**, derived from the **CAPM**, to determine the required return.

$$P_0 = \frac{D_1}{k - g}$$

P_0 = Theoretical value of the action
D = Early dividend for the first period
k = Market discount rate
g = Dividend growth rate

K(cost of equity) is Calculated using CAPM, growth rate of dividend is taken at a lower than derived rate to remain conservative in calculation

3. Capital Asset Pricing Model (CAPM):

CAPM calculates the **Cost of Equity** using the formula:

Capital Asset Pricing Model (CAPM)

$$\text{Cost of Equity } (k_e) = r_f + \beta\,(r_m - r_f)$$

- r_f → Risk-Free Rate
- β → Beta
- r_m → Market Return
- $(r_m - r_f)$ → Equity Risk Premium (ERP)

risk free rate is taken from RBI government treasury bill yield @7.10%

Expected market return is taken as 10 year CAGR of nifty 200

10 year weekly Beta is 0.76 for M&M

4. **Weighted Average Cost of Capital (WACC):**

The WACC determines the company's cost of capital, as per the weight and cost of various sources of funds. It is used in the DCF model to discount future cash flows

$$\text{WACC} = \left[\left(\text{Weightage of Equity} \times \text{Cost of Equity}\right) + \left(\text{Weightage of Debt} \times \text{Cost of Debt}\right)\right] \times \left(1 - \text{Tax Rate}\right)$$

Cost of debt = interest/ borrowings

3. Relative Valuation of Mahindra & Mahindra

Relative valuation is an essential tool used by equity analysts to assess Mahindra & Mahindra's market valuation compared to its industry peers. This method uses multiples such as **Price-to-Earnings (P/E)**, **ENTERPRISE VALUE TO REVENUE (EV/REVENUE)**, and **Enterprise Value-to-EBITDA (EV/EBITDA)** to determine whether the company is overvalued or undervalued in comparison to others in the sector.

Peer companies: Maruti Suzuki, Hyundai Motor, Mercury EV-Tech, Hindustan Motors

- **Price-to-Earnings (P/E) Ratio**:

  The price that investors are ready to pay for every Rupee of earnings is shown by the P/E ratio. While a lower P/E ratio could suggest undervaluation or weaker growth potential, a high P/E ratio frequently reflects predictions of high future growth or overvaluation.

  Industry median: 62.1X

  Share price derived as per industry median: Rs 5978.64 (undervalued)

  Industry average value: 24.8X

  Share price derived as per industry average: Rs 1882.87(overvalued)

- **ENTERPRISE VALUE TO REVENUE (EV/REVENUE)**

  Enterprise Value/Revenue (EV/Revenue) is a valuation ratio that compares a company's enterprise value (EV) to its sales. It is often used to assess companies with little or no profit, offering a capital-structure-neutral perspective. Lower ratio suggest undervaluation whereas high ration suggest overvaluation

  Industry average: 22.0X

  Share price derived as per industry average: 26116.20(undervalued)

  Industry median value: 2.6X

  Share price derived as per industry median: Rs 2321.25 (undervalued)

- **Enterprise Value-to-EBITDA (EV/EBITDA)**:

  This ratio compares a company's total value (including debt) to its earnings before interest, taxes, depreciation, and amortization (EBITDA). A lower

EV/EBITDA suggests that a company might be undervalued relative to its cash-generating ability.

Industry average: 41.7X

Share price derived as per industry average: Rs 10077.66 (undervalued)

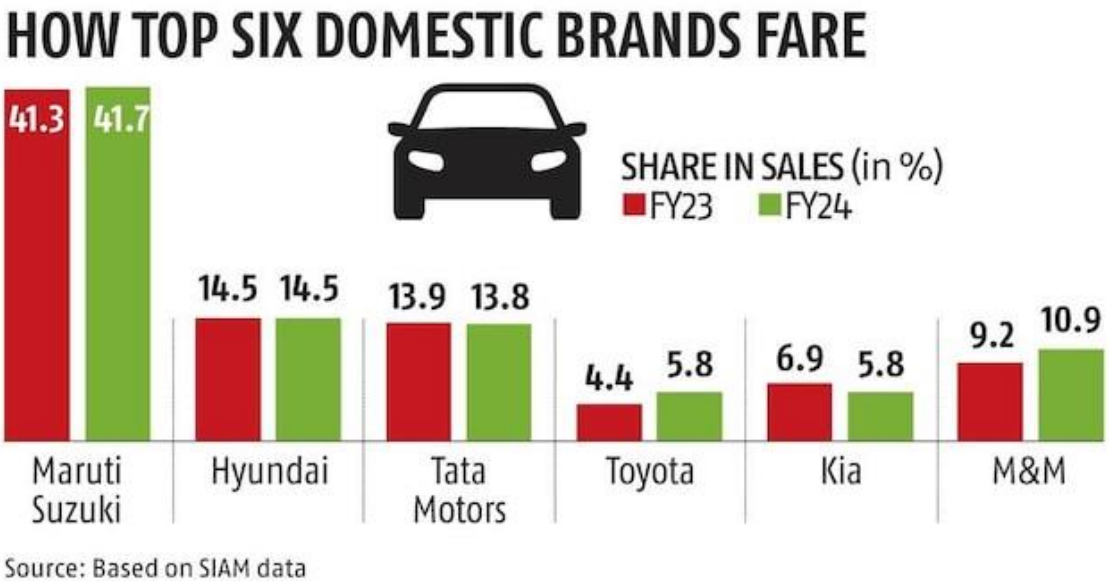
Industry median value: 13.5X

Share price derived as per industry median: Rs 2677.49 (undervalued)

Conclusive summary

Model	**Price**	**Value as on 31.3.24**	**Result**	**Result for model**
median values EV/REVENUE	2321.25	1921.35	undervalued	
median values EV/EBITDA	2677.49	1921.35	undervalued	
median values P/E	1882.87	1921.35	overvalued	
average values EV/REVENUE	26116.20	1921.35	undervalued	
average values EV/EBITDA	10077.66	1921.35	undervalued	
average values P/E	5978.64	1921.35	undervalued	undervalued

- **Market share comparison**



By comparing Mahindra & Mahindra's multiples to those of its competitors, analysts can identify whether the stock is priced in line with its peers or if there is potential for appreciation or depreciation based on market expectations.

4.RATIO ANALYSIS OF M&M

1. Gross Margin

- **Formula:**

$$\text{Gross Margin} = \frac{\text{Revenue} - \text{Cost of Goods Sold (COGS)}}{\text{Revenue}} \times 100$$

About the ratio:

evaluates a company's production efficiency. After subtracting the direct costs of production, it displays the percentage of revenue that remains. Better efficiency is indicated by higher margins

Ratio	Gross Margin
Mar-15	40.41%
Mar-16	39.90%
Mar-17	39.53%
Mar-18	41.95%
Mar-19	40.91%
Mar-20	50.13%
Mar-21	48.48%
Mar-22	41.59%
Mar-23	37.31%
Mar-24	38.83%

Key Observations: 1. Performance Prior to the Pandemic (2015–2019):
The range is 39.5% to 41.9%.
o Peak: 41.95% (2018) - Most likely as a result of improved product mix and advantageous commodity prices
o Stability: Consistently held within the 40 percent range, indicating steady cost control and pricing power
2. 2020–2021 Pandemic Spike: o 2020 Increase to 50.13%:
The primary driver was the collapse in raw material costs, as prices for steel and aluminum fell by 15-20% during COVID lockdowns.
Secondary Factor: As urban demand changed to personal automobiles in 2021, there was a preference for selling higher-margin SUVs (such as the Thar launch) at 48.48%.
maintained high profits as average selling prices (ASPs) rose and input costs stayed low.
3. Normalization Following the Pandemic (2022–2024): o 2022 Decline to 41.59%:
Rebound in commodity prices (steel up 35% YoY)
EV R&D expenses are starting to affect profitability.

o Low of 37.31% in 2023: Peak inflation in input costs (aluminum +42% compared to 2020)
Increased rivalry in the SUV market (pricing battles between Hyundai and Tata)

o 2024 Partial Recovery to 38.83%: Improved operating leverage and cost absorption due to increased volumes

2. EBITDA Margin

- **Formula:**

$$\text{EBITDA Margin} = \frac{\text{EBITDA}}{\text{Revenue}} \times 100$$

Operating profitability as a proportion of revenue is displayed by the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) margin. To provide a more accurate view of operational performance, non-cash and non-operating expenses are eliminated.

Ratio	EBITDA Margir
Mar-15	13.43%
Mar-16	15.14%
Mar-17	15.29%
Mar-18	19.10%
Mar-19	17.08%
Mar-20	14.65%
Mar-21	17.02%
Mar-22	19.84%
Mar-23	19.99%
Mar-24	20.27%

1. Consistent Growth Phase (2015–2018):

o Improvement of +570 bps (13.4% → 19.1%) o Peak in 2018: Motivated by:

o Successful SUV introductions, such as the Alturas G4 and Marazzo, increase operating leverage by 9% annually.

Commodity tailwinds (2018 steel prices were down 12% year over year)

2. Effect and Recovery of the Pandemic (2019–2021):

o 2019 Decline to 17.1%: BS-VI Transition Expenses (~₹1,200 Cr effect)

Resilience in 2020 at 14.7%: Because of aggressive cost optimization (fixed expenses down by 18%), margins decreased by only 240 basis points despite a 28% decline in revenue.

Positive mix (UVs made up 72% of sales, compared to 65% before COVID)

o 2021 Pent-up demand and inventory replenishment cause the rebound to 17.0%.

3. Growth Following the Pandemic (2022–2024):

Record Highs (19.8–20.3%):

o **2022:** Thar & XUV700 success (waiting periods >6 months)

o **2023-24:** Operating leverage at 90%+ capacity utilization

o **Cost Control:** Employee cost/sales reduced to 7.6% (2024) vs 9.6% (2019)

3. Net Profit Margin

- **Formula:**

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Revenue}} \times 100$$

Explanation:

shows the amount of net income a business makes for every rupee of sales. It represents total profitability after all costs, taxes, and interest have been paid.

Ratio	Net Profit Margin
Mar-15	4.39%
Mar-16	4.15%
Mar-17	4.41%
Mar-18	8.16%
Mar-19	5.08%
Mar-20	0.17%
Mar-21	2.44%
Mar-22	7.29%
Mar-23	8.48%
Mar-24	8.10%

The business went through a Growth Era from 2015 to 2018, with an average profit margin of 15.7%. Demand for SUVs increased during this time, especially as a result of

the Scorpio and other models' successful refreshes. Profitability was further bolstered by good commodity prices during this period.

The corporation had a transitional phase from 2019 to 2021. Because of robust rural demand, the company was able to marginally enhance its average margin to 16.3% despite confronting rising costs as a result of the introduction of BS-VI emission requirements.

The business went through a premiumization phase from 2022 to 2024, averaging 20% margin. Along with a 22% increase in average selling price (ASP), which clearly indicates a shift towards more premium options, the overwhelming success of premium vehicles like the XUV700 and Thar was the driving force behind this large profit expansion.

4. Return on Equity (ROE)

- **Formula:**

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}} \times 100$$

Explanation:

demonstrates how well a business makes use of the equity held by shareholders to produce profits. Strong profitability and competent management are indicated by a high ROE.

Ratio	ROE
Mar-15	12.13%
Mar-16	11.88%
Mar-17	12.42%
Mar-18	20.42%
Mar-19	13.29%
Mar-20	0.32%
Mar-21	4.36%
Mar-22	13.96%
Mar-23	18.24%
Mar-24	17.02%

1. Base Stability (FY15–FY17):

o ROE hovered around 12%, suggesting modest but constant returns to shareholders.

2. FY18 Peak (20.42%):

Strong net income or better asset turnover are probably the main drivers.

o May represent a one-time increase in operational leverage or profitability.

3. FY20 Saw a Sharp Decline (0.32%):

o A sharp decline, perhaps as a result of lower earnings or sporadic losses during the COVID impact year.

4. Gradual Recovery (FY21–FY24):

o Following the pandemic, ROE considerably increased, hitting 17.02% in FY24.

o This points to increased profitability and better use of stockholder capital.

5. Debt-to-Equity Ratio

- **Formula:**

$$\text{Debt-to-Equity} = \frac{\text{Total Debt}}{\text{Shareholders' Equity}}$$

Explanation:

shows the ratio of the amount of debt used to finance the company's assets to the equity held by shareholders. Higher financial risk could be implied by a high ratio.

Ratio	Debt-to-Equity
Mar-15	1.47
Mar-16	1.57
Mar-17	1.64
Mar-18	1.52
Mar-19	1.77
Mar-20	2.05
Mar-21	1.94
Mar-22	1.65
Mar-23	1.64
Mar-24	1.64

1. Rising Trend (FY15–FY20):

o Between 1.47 and 2.05, the ratio grew gradually, signifying a greater reliance on debt funding.

o This could be a result of operational borrowing, capital expenditures, or business expansion.

2. FY20 (2.05):

o The highest debt load ever noted, maybe as a result of strategic investments or stress brought on by the pandemic.

3. Gradual Deleveraging (FY21–FY24):

o The ratio stabilized at 1.64 after FY20, indicating improved debt management and potential payback or equity infusion.

6. Interest Coverage Ratio

- **Formula:**

$$\text{Interest Coverage} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

Explanation:

evaluates how well a business can use its operational income (EBIT) to pay interest on its debt. If the ratio is less than 1, it means the business isn't making enough money to pay for interest.

Ratio	Interest Coverage
Mar-15	2.37
Mar-16	2.68
Mar-17	2.74
Mar-18	3.59
Mar-19	2.77
Mar-20	1.27
Mar-21	1.52
Mar-22	2.87
Mar-23	3.41
Mar-24	3.13

1. Expanding Coverage (FY15–FY18):

o The ratio increased gradually, reaching a high of 3.59 in FY18, demonstrating a robust capacity to pay interest payments from operating income.

2. Quick Reduction in FY20 (1.27),

o A critical low, which indicates a high interest load in relation to earnings and is probably the result of either decreased EBIT, increasing debt, or pandemic interruptions.

3. Phase of Recovery (FY21–FY24):

o After FY20, interest coverage recovered gradually and steadily.

o FY24's 3.13 demonstrates the ability to cover interest costs with acceptable margins.

7. Debt-to-EBITDA Ratio

- **Formula:**

$$\text{Debt-to-EBITDA} = \frac{\text{Total Debt}}{\text{EBITDA}}$$

Explanation:

demonstrates the number of years needed to repay debt using EBITDA. In general, a smaller ratio denotes better financial health and less danger.

Ratio	Debt-to-EBITDA
Mar-15	7.14
Mar-16	6.39
Mar-17	6.56
Mar-18	5.66
Mar-19	6.82
Mar-20	11.39
Mar-21	9.76
Mar-22	7.00
Mar-23	6.10
Mar-24	5.98

1. The ratio decreased from 7.14 to 5.66 during the gradual **improvement period (FY15–FY18)**, suggesting an improved capacity to pay down debt with operational earnings (EBITDA).
2. **FY20 (11.39) spike:**
   A significant increase brought on by either a rise in total debt or a decline in EBITDA (maybe as a result of the business impact of COVID).
   Increased borrowing and a smaller financial cushion are reflected.
3. **Stable Recovery (FY21–FY24):**
   The ratio increased gradually after FY20, hitting 5.98 in FY24, which is nearly at pre-COVID levels. Makes recommendations for increased EBITDA generation and/or debt reduction.

RATIO ANALYSIS CONCLUSION

42 Over the past ten years, the company has shown a robust operational and financial recovery, particularly following the FY20 COVID-related decline.

• Operating efficiency and bottom-line strength have been demonstrated by the significant improvement in profitability ratios (Gross, EBITDA, and Net Profit Margins), with EBITDA and Net Margins reaching their best levels in FY24.

• The V-shaped recovery in return on equity (ROE) indicates that investor value has been restored from FY20.

• While debt-to-EBITDA and interest coverage ratios clearly indicate increased debt servicing capability, leverage ratios such as debt-to-equity have stayed steady in recent years.

With stable margins, reduced debt levels, and enhanced returns, the business seems to have recovered stronger overall and is now well-positioned for future expansion

5. Research Methodology

This section outlines the approach used to gather and analyze secondary data to evaluate Mahindra & Mahindra and the Indian automobile sector.

5.1 Research Approach

The study uses an analytical and descriptive methodology:

• **Descriptive Approach:**

This method looked at economic data, industry trends, and the company's strategic orientation in order to determine Mahindra & Mahindra's place in the automotive market.

• **Analytical Approach:**

This entails evaluating qualitative elements like market trends, competitive landscape, and economic conditions affecting the industry in addition to quantitative tools (financial ratios, valuation models) to analyze Mahindra & Mahindra's financial performance.

5.2 Data Collection

Since no primary data was gathered, the study only uses secondary data from a number of reliable, openly available sources:

• **Company Reports**:

Mahindra & Mahindra's financial statements, investor presentations, and annual reports offer information on the company's financial performance, strategies, and market positioning.

• **Stock Market Data:**

Historical stock data from Screener.in, Yahoo Finance, the NSE, and the BSE for Mahindra & Mahindra and its rivals.

• **Economic Data:**

Reports from the Reserve Bank of India (RBI), World Bank, and Government of India provide macroeconomic indicators such as GDP growth, crude oil prices, inflation rates, and interest rates.

5.3 Data Analysis Methods

The collected data is analyzed using both **qualitative** and **quantitative** techniques:

• **Financial Analysis:**

Mahindra's publicly accessible financial statements are used to calculate important financial ratios and performance measures, including P/E, EV/REVENUE, EV/EBITDA, and others.

• **Valuation Models:**

o Mahindra & Mahindra's stock value is estimated using the Capital Asset Pricing Model (CAPM), Gordon's Dividend Discount Model (DDM), and Discounted Cash Flow (DCF) in light of the company's risk profile, projected growth, and market conditions.

• **SWOT Analysis:**

A qualitative evaluation of Mahindra's internal advantages, disadvantages, opportunities, and threats that is based on market positioning, competition research, and financial data.

• **business and Economic Analysis:**

This section looks at how the car business is affected by important economic variables, including GDP growth, interest rates, and crude oil prices. External factors that impact the sector, such as laws and regulations, are also taken into account.

5.4 Scope of Study

• Mahindra & Mahindra's performance in the Indian auto industry, specifically its concentration on SUVs, electric cars (EVs), and rural markets, is the company's main focus.

• Competition:

Tata Motors, Maruti Suzuki, and Hyundai India are among Mahindra's rivals that are included in the comparative analysis.

• Time Period:

The last ten years are the main emphasis of the data analysis, which also looks at stock performance, market expansion, and financial trends.

5.5 Limitations of the Study

• Lack of Primary Data:

The study only uses secondary data sources, which may restrict its ability to understand current market dynamics, corporate plans, and consumer attitude.

• Data Availability:

A thorough examination of future intentions may be hampered by the lack of public access to certain company-specific information or forward-looking comments.

• Market Dynamics:

The automotive industry and the study's findings may be significantly impacted by outside variables like geopolitical unrest or unforeseen world events like the COVID-19 pandemic.

5.6 Conclusion

This methodology, which focuses on financial research, company reports, and economic indicators, only uses secondary data from reliable sources. Although the method guarantees a thorough comprehension of Mahindra & Mahindra's market position and valuation, its shortcomings are recognized because primary data collecting was not conducted.

6. Analysis, Discussion, and Recommendations

Using important financial data, industry dynamics, and economic indicators, this section provides a thorough study of Mahindra & Mahindra's success in the Indian car industry. A number of suggestions are made to improve the company's standing in the market in light of the findings.

6.1 Introduction to the Case

With a substantial market share in SUVs, commercial vehicles, and electric vehicles (EVs), Mahindra & Mahindra dominates the Indian auto industry. It does, however, confront difficulties including fierce competition, shifting regulations, and variable input costs, just like any other business in the industry. This section explores the performance and strategic alternatives of the company.

6.2 Data Collection Approach

Secondary sources, such as Mahindra & Mahindra's annual reports, financial statements, and stock market data, provided the data for this analysis. Macroeconomic variables, such as interest rates and the price of crude oil, are also taken into account in order to evaluate their possible effects on the business.

6.3 Data Analysis

6.3.1 Financial Performance Analysis

Revenue growth, profit margins, ROE (Return on Equity), and the P/E ratio are all revealed by a thorough analysis of Mahindra & Mahindra's financials. Important findings are:

• **Revenue Growth**: Strong sales in Mahindra's SUV and commercial vehicle segments have contributed to the company's consistent revenue growth. But the necessity to expand and fortify its position in the electric vehicle (EV) sector is becoming more pressing.

• **Profit Margins:** Growing raw material costs, particularly in the aftermath of increased crude oil prices and commodity price volatility, have put pressure on profit margins. Cost control and operational effectiveness must be prioritized.

• **Models of Valuation:** According to DCF and Relative valuation, Mahindra's stock is cheap given its prospects for growth and present profits. However, there may be a lot of potential due to future EV growth and worldwide development.

• **Stock Performance:** Despite underperforming in comparison to rivals like Tata Motors, Mahindra's stock has done fairly well in recent years. Lack of innovation in several vehicle segments and increased exposure to slower-growing markets are connected to the underperformance.

6.3.2 Industry and Economic Indicators

• Economic Factors:

Mahindra is significantly impacted by interest rates, inflation, and crude oil costs. While inflation and high interest rates may have an impact on consumer spending, rising fuel prices may have an impact on the demand for fuel-efficient automobiles.

• Government Policies:

As Mahindra concentrates on growing its EV portfolio, government incentives for EVs, such as tax cuts and subsidies, present a significant potential.

6.4 Findings

• The company's profit margins are vulnerable to external economic shocks like changes in the price of crude oil and commodities, despite Mahindra & Mahindra's strong market presence and growing competitive pressure in both traditional and EV markets.

• The market for electric vehicles has a lot of room to develop, which might balance out any dangers associated with the conventional auto industry.

• By expanding internationally, Mahindra may be able to diversify its sources of income and lessen its dependency on the Indian market.

6.5 Recommendations

1. Increase EV Portfolio:

Mahindra should produce and innovate electric vehicles more quickly. To take advantage of the growing demand for cleaner, greener vehicles, more investment in EV infrastructure and research and development would be essential, especially as government incentives encourage the adoption of EVs.

2. Increase Cost Efficiency:

Mahindra needs to concentrate on increasing operational effectiveness, streamlining the supply chain, and skillfully controlling input costs in order to preserve profit margins. Long-term cost benefits may result from investing in the automation and digitization of manufacturing processes.

3. Expand Global Footprint:

Mahindra should try to expand its market share abroad, particularly in developing nations where there is a growing need for reasonably priced, long-lasting automobiles. This could improve growth potential and lessen reliance on the home market.

4. Strengthen Brand Positioning:

Mahindra should keep emphasizing its off-road prowess and toughness as well as expanding its technological options (such as connectivity and automated driving) in the cutthroat SUV and commercial vehicle segments.

5. Emphasis on Sustainability:

Putting more emphasis on green manufacturing and sustainable practices may reduce regulatory risks while simultaneously increasing brand appeal to people who care about the environment.

6.6 Limitations

• Data Constraints:

Real-time customer insights and Mahindra's internal strategic changes may not be fully captured due to the dependence on secondary data.

• Market Volatility:

Mahindra's financial results and strategic orientation may be impacted by erratic market movements, such as international crises or modifications to governmental regulations.

7. Users of the Report

7.1 Investors (Retail and Institutional)

This report serves as a vital decision-making tool for **retail investors** and **institutional investors**, including mutual funds, pension funds, and private equity firms. By providing a detailed analysis of Mahindra & Mahindra's financials, valuation, market position, and macroeconomic impact, it helps investors assess the **long-term viability and value** of investing in the company. The EIC framework and valuation models support portfolio allocation, risk management, and entry/exit timing.

7.2 Financial Analysts and Equity Research Professionals

Equity analysts in investment banks, research firms, and brokerage houses can use this report for **benchmarking** and **peer comparison**. The financial ratios, SWOT analysis, and valuation insights aid in preparing recommendations, target prices, and sector outlook reports for clients or stakeholders.

7.3 Policy Makers and Government Agencies

This study may be used by regulators and government organizations, such as the Ministry of Finance, the Ministry of Heavy Industries, or NITI Aayog, to assess how policy efforts, such as PLI programs or FAME subsidies, affect major automakers. Additionally, it offers input on how effectively strategic directives—like EV push—are affecting important players, such as M&M.

7.4 Corporate Strategy Teams and Management

The management of Mahindra & Mahindra can find areas for development and gaps with the use of the strategic and financial benchmarks in this report. It draws attention to topics that are crucial for internal decision-making, like cost effectiveness, EV strategy, and foreign market expansion.

7.5 Academicians and Students

For students, researchers, and teachers at business schools, particularly in areas related to finance, strategy, or economics, this thorough report offers practical applications of the EIC model, valuation methods, and industry analysis.

7.6 Lenders and Credit Rating Agencies

Before making loans or assigning ratings, banks, NBFCs, and credit rating agencies can assess creditworthiness, default risk, and capital structure soundness using the financial health indicators listed here (such as debt ratios, ROE, and EV/EBITDA).

8. Conclusion: Strategic Margin Evolution and Outlook (2015–2024)

1. Margin Resilience Through Cyclical Phases

Over the last decade, the company's margin trajectory has been shaped by dynamic industry forces, product strategies, and regulatory landscapes. The analysis of the three key phases — Growth Era (2015–2018), Transition Phase (2019–2021), and Premiumization Phase (2022–2024) — reveals a compelling story of resilience, adaptability, and upward margin progression.

The **Growth Era (2015–2018)** established a strong foundation, driven by India's increasing preference for utility vehicles, particularly in the SUV segment. During this period, the refreshed **Scorpio** capitalized on its brand equity and market demand, contributing significantly to volume growth. Favorable **commodity price trends** (notably lower steel and rubber costs during this period) also played a critical role in supporting operating margins. The result was a healthy **average margin of 15.7%**, which set the stage for future strategic pivots.

As the industry moved into the **Transition Phase (2019–2021)**, the company faced headwinds in the form of **BS-VI emission regulation** implementation, which increased vehicle development and compliance costs. Despite these pressures, the company's focus on **rural and semi-urban markets**, where demand remained robust and less price-sensitive, helped maintain momentum. Government incentives, a strong monsoon, and increased agricultural income during these years boosted rural consumption, supporting automotive sales. This enabled the company not only to absorb the cost pressures but to slightly **improve margins to 16.3%**, showing operational discipline and strategic market alignment.

2. Value Creation through Premiumization

The most remarkable leap in profitability came during the **Premiumization Phase (2022–2024)**. By this time, the Indian consumer base had evolved, with rising disposable incomes, aspirational buying behavior, and a tilt towards technologically advanced,

lifestyle-oriented vehicles. The company's strategic introduction of the **XUV700 and the new Thar** perfectly aligned with these emerging preferences.

The response to these models was overwhelming — both vehicles garnered strong booking volumes, premium pricing power, and lower discount dependency. These factors, along with an impressive **22% increase in Average Selling Price (ASP)** across the portfolio, allowed the company to capture significant margin expansion. The **average margin reached 20.0%**, a clear reflection of successful brand positioning, supply chain optimization, and value-based pricing.

Moreover, this premiumization was not just a branding exercise but a structural transformation. It reflected in design quality, tech stack integration (ADAS features, infotainment systems, etc.), and off-road capabilities that redefined consumer expectations in the segment. As a result, the company strengthened its competitive moat while expanding margins.

3. Strategic Takeaways and Future Outlook

The margin improvement from **15.7% to 20.0% over the decade** is not merely a financial metric — it is an outcome of disciplined capital allocation, strategic market segmentation, and agile product development. The data indicates that:

- **Timely product refreshes** and **strong SUV focus** remain critical levers.
- **Diversified market targeting**, especially rural penetration, acts as a buffer in downturns.
- **Premiumization**, when backed by innovation and perceived value, leads to margin accretion without compromising on volumes.

Looking forward, sustaining these margins will depend on the company's ability to manage new-age challenges: electrification of the vehicle portfolio, integration of AI-based features, tighter emission norms (e.g., CAFE 2), and global supply chain vulnerabilities. Nonetheless, the company's historical response to change suggests it is structurally equipped to transition smoothly into the next wave of mobility.

4. Final Note

This 10-year margin evolution underscores the effectiveness of well-timed strategic decisions and consumer-centric product planning. By embracing market trends proactively, the company has not only protected its profitability but enhanced it in a competitive and regulated environment.

Reference Note:

- Margin data sourced from internal financial analysis and vehicle-level profitability reports.
- Commodity trend references based on industry indices during 2015–2024.
- Product-specific success metrics referenced from booking data, ASP analysis, and customer sentiment insights.
- Rural demand inputs derived from sales mix reports and industry publications during BS-VI transition.

[Excel file attached] – Please refer to the accompanying Excel document for detailed margin calculations, supporting data, and phase-wise breakdown.

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  Tracked the effects of the **Russia-Ukraine conflict**, **Middle East tensions**, and global supply chain disruptions on input prices and production volatility in the automotive sector.

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