

# Mahindra & Mahindra (MM)

Automobiles | Company Update

**BUY**

**CMP: Rs2,931 | Target Price (TP): Rs3,462 | Upside: 18%**

**April 29, 2025**

## Enhancing the LCV base, M&M to acquire SML Isuzu

### Key Points

M&M has announced the acquisition of a controlling 58.96% stake in SML Isuzu Limited by purchasing shares from Sumitomo Corporation (43.96%) and Isuzu Motors Ltd. (15%) at Rs650 per share, for a total consideration of approximately Rs5.55bn. As a result of this acquisition, M&M is required under SEBI's SAST Regulations to make an open offer to SML's public shareholders. The open offer is for up to 26% of SML's equity at a price of Rs1,554.60 per share, amounting to a potential Rs5.85bn, if fully subscribed. Overall, the total deal size, combining the promoter acquisition and the open offer, could reach ~ Rs11.40bn. Following the transactions, M&M will become the promoter of SML Isuzu, strengthening its position in the commercial vehicle market.

- **About SML Isuzu:** SML Isuzu Limited is a listed Indian company with a strong brand presence and a rich heritage in the Trucks and Buses segment. With a pan-India footprint, SML Isuzu holds a leading position in the ILCV bus market, commanding ~16% MS. In FY24, the company's Revenue was Rs22bn and EBITDA Rs1.8bn. It has a manufacturing facility in Punjab and a pan-India distribution network, with the plant currently operating at around 65-70% capacity utilization. In recent years, SML Isuzu has expanded its product offerings into alternative fuel technologies, including CNG-powered buses for institutional, school, and staff transportation segments. Additionally, the company has entered the EV space with the launch of its first electric bus, the [Hiroi.ev](#), which offers over 180 kilometers of range and fast-charging capabilities. Through these initiatives, SML Isuzu is enhancing its commitment to sustainable mobility and aligning its portfolio with evolving market and regulatory demands.
- **Synergies of the deal:** The M&M and SML combination leverages SML's deep relationships with school, corporate and intra city fleet operators to give M&M immediate market access while M&M contributes its modern ergonomically advanced driver cabins, telematics and pan India service network to elevate SML's CNG and electric ICV platforms. By pooling volumes the joint entity gains greater negotiating power on heavy duty aggregates (engines, axles, chassis) and through M&M's scale secures better pricing and priority from suppliers of tires, batteries and interior components. Unified after sales support and shared R&D resources will streamline service protocols, accelerate development of next generation powertrains and optimize eligibility for PLI/FAME incentives, together lowering costs, speeding up time to market and strengthening their leadership across both conventional and alternative fuel commercial vehicles.
- **Outlook:** The acquisition of SML Isuzu will strengthen M&M's LCV franchise, targeting a MS increase ~3% currently to 10-12% by FY32, while SML is expected to account for only 2-3% M&M's revenues by FY27E. The around ~Rs11bn cash consideration inclusive of the open offer is not anticipated to significantly affect M&M's balance sheet, and the transaction was secured at an attractive valuation in line with an improving medium term demand outlook for LCVs.

Est Change	NA
TP Change	Downward
Rating Change	NA

### Company Data and Valuation Summary

Reuters	MAHM.BO
Bloomberg	MM IN Equity
Mkt Cap (Rsbn/US\$bn)	3,644.3 / 42.8
52 Wk H / L (Rs)	3,271 / 2,001
ADTV-3M (mn) (Rs/US\$)	9,777.4 / 113.1
Stock performance (%) 1M/6M/1yr	9.9 / 5.4 / 43.3
Nifty 50 performance (%) 1M/6M/1yr	4.9 / 5.4 / 7.6

Shareholding	2QFY25	3QFY25	4QFY25
Promoters	18.5	18.5	18.5
DII's	27.1	29.3	29.9
FII's	41.2	38.9	38.3
Others	13.2	13.3	13.4
Pro pledge	0.1	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Volume (units)	12,03,325	13,65,756	15,11,419	16,60,528
Growth YoY%	8.8	13.5	10.7	9.9
Net Sales	9,87,634	11,73,780	13,78,410	16,09,339
Growth YoY%	16.2	18.8	17.4	16.8
Gross margin %	25.1	25.9	26.0	26.0
EBITDA	1,26,662	1,71,372	2,05,383	2,41,401
EBITDA margin %	12.8	14.6	14.9	15.0
Adj PAT	1,07,178	1,07,313	1,33,382	1,58,379
Growth YoY%	39.2	0.1	24.3	18.7
Adj EPS	86.2	86.3	107.3	127.4
RoCE	12.8	14.8	16.1	16.4
RoE	20.8	18.0	18.9	18.9
RoIC	14.7	17.7	20.1	21.8
P/E	34.0	34.0	27.3	23.0
EV/EBITDA	28.5	20.9	17.2	14.3
P/BV	7.1	6.1	5.2	4.3

Source: Company, Nirmal Bang Institutional Equities Research

**Key Links - [Acquisition PR](#) | [M&M 3QFY25 Result Update](#)**

Please refer to the disclaimer towards the end of the document.

## Valuation

**Exhibit 1: SOTP valuation**

	Basis of valuation	Per share value
Core business	22x Mar'27E core EPS	2,803
Tech Mahindra	CMP	204
MMFS	CMP	95
Mahindra Lifespace	CMP	15
Mahindra Holidays	CMP	23
Swaraj Engines	CMP	15
Mahindra Logistics	CMP	7
EV Business	Transaction Value	299
<b>Price (INR)</b>		<b>3,462</b>

Source: Nirmal Bang Institutional Equities Research | 30% discount applied to the holding company

**Exhibit 2: Changes in our estimates:**

(in Rsmn)	New estimates				Old estimates				% Change			
	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E
Net Revenue	9,87,634	11,73,780	13,78,410	16,09,339	9,87,634	11,62,702	13,65,209	15,93,600	0.0	1.0	1.0	1.0
EBITDA	1,26,662	1,71,372	2,05,383	2,41,401	1,26,662	1,69,754	2,03,416	2,39,040	0.0	1.0	1.0	1.0
EBITDA (%)	12.8	14.6	14.9	15.0	12.8	14.6	14.9	15.0	-	-	-	-
PAT	1,07,178	1,07,313	1,33,382	1,58,379	1,07,178	1,07,488	1,32,621	1,57,385	0.0	(0.2)	0.6	0.6
EPS (Rs)	86.2	86.3	107.3	127.4	86.2	86.4	106.6	126.6	0.0	(0.2)	0.6	0.6

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: 1 Year Fwd PE Chart**



Source: Company, Nirmal Bang Institutional Equities Research

## Financials (MM+MVML)

### Exhibit 4: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>8,49,603</b>	<b>9,87,634</b>	<b>11,73,780</b>	<b>13,78,410</b>	<b>16,09,339</b>
Growth YoY%	47.0	16.2	18.8	17.4	16.8
<b>Gross profit</b>	<b>2,04,020</b>	<b>2,47,571</b>	<b>3,04,009</b>	<b>3,58,386</b>	<b>4,18,428</b>
<b>Gross margin %</b>	<b>24.0</b>	<b>25.1</b>	<b>25.9</b>	<b>26.0</b>	<b>26.0</b>
Staff costs	36,499	44,164	46,951	57,893	65,983
% of sales	4.3	4.5	4.0	4.2	4.1
Other expenses	63,098	76,745	85,686	95,110	1,11,044
% of sales	7.4	7.8	7.3	6.9	6.9
<b>EBITDA</b>	<b>1,04,424</b>	<b>1,26,662</b>	<b>1,71,372</b>	<b>2,05,383</b>	<b>2,41,401</b>
Growth YoY%	48.6	21.3	35.3	19.8	17.5
<b>EBITDA margin %</b>	<b>12.3</b>	<b>12.8</b>	<b>14.6</b>	<b>14.9</b>	<b>15.0</b>
Depreciation	31,545	34,389	40,032	44,703	49,550
EBIT	72,879	92,273	1,31,339	1,60,680	1,91,850
Interest	2,728	1,388	2,034	2,216	1,916
Other income	25,452	43,944	16,699	18,202	19,840
PBT (bei)	95,603	1,34,830	1,46,004	1,76,665	2,09,774
PBT	81,308	1,34,830	1,46,004	1,76,665	2,09,774
ETR	19.5	20.5	26.5	24.5	24.5
PAT	65,486	1,07,178	1,07,313	1,33,382	1,58,379
<b>Adj PAT</b>	<b>77,000</b>	<b>1,07,178</b>	<b>1,07,313</b>	<b>1,33,382</b>	<b>1,58,379</b>
Growth YoY%	57.1	39.2	0.1	24.3	18.7

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 6: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	5,991	5,991	5,991	5,991	5,991
Reserves	4,27,577	5,08,528	5,90,359	6,98,881	8,32,400
<b>Net worth</b>	<b>4,33,567</b>	<b>5,14,518</b>	<b>5,96,349</b>	<b>7,04,872</b>	<b>8,38,391</b>
Long term debt	23,316	20,816	19,316	16,316	13,316
Short term debt	23,122	21,122	20,122	18,122	16,122
<b>Total debt</b>	<b>46,437</b>	<b>41,937</b>	<b>39,437</b>	<b>34,437</b>	<b>29,437</b>
<b>Net debt</b>	<b>1,620</b>	<b>-31,657</b>	<b>-66,974</b>	<b>-1,14,825</b>	<b>-1,88,873</b>
Other non-current liabilities	14,703	14,703	14,703	14,703	14,703
<b>Total Equity &amp; Liabilities</b>	<b>7,57,798</b>	<b>8,71,268</b>	<b>9,98,245</b>	<b>11,54,151</b>	<b>13,41,470</b>
Gross block	3,64,263	4,04,170	4,84,202	5,68,905	6,58,456
Accumulated depreciation	1,94,501	2,28,889	2,68,922	3,13,625	3,63,175
<b>Net Block</b>	<b>1,69,762</b>	<b>1,75,280</b>	<b>2,15,280</b>	<b>2,55,280</b>	<b>2,95,280</b>
CWIP	27,846	57,846	37,846	32,846	27,846
Intangible and others	-	-	-	-	-
Other non-current assets	1,15,271	1,24,444	1,34,534	1,45,632	1,57,841
Investments	2,70,871	2,85,871	3,20,871	3,55,871	3,90,871
Trade receivables	40,417	45,999	54,669	64,200	74,956
Inventories	88,814	1,08,234	1,28,633	1,51,059	1,76,366
Cash & Cash Equivalents	44,818	73,594	1,06,412	1,49,263	2,18,310
Other current assets	-	-	-	-	-
<b>Total current assets</b>	<b>2,89,319</b>	<b>3,52,271</b>	<b>4,24,248</b>	<b>5,10,154</b>	<b>6,27,473</b>
Trade payables	1,71,456	1,99,312	2,36,878	2,78,173	3,24,777
Other current liabilities	91,635	1,00,798	1,10,878	1,21,966	1,34,162
<b>Total current liabilities</b>	<b>2,63,091</b>	<b>3,00,110</b>	<b>3,47,755</b>	<b>4,00,139</b>	<b>4,58,939</b>
<b>Total Assets</b>	<b>7,57,798</b>	<b>8,71,268</b>	<b>9,98,245</b>	<b>11,54,151</b>	<b>13,41,470</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 5: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
<b>PBT</b>	<b>81,308</b>	<b>1,34,830</b>	<b>1,46,004</b>	<b>1,76,665</b>	<b>2,09,774</b>
Depreciation	31,545	34,389	40,032	44,703	49,550
Interest	2,728	1,388	2,034	2,216	1,916
Other adjustments	-	-	-	-	-
Change in Working capital	-5,360	-25,932	-24,331	-33,522	-58,519
Tax paid	-18,740	-27,652	-38,691	-43,283	-51,395
<b>Operating cash flow</b>	<b>91,480</b>	<b>1,17,022</b>	<b>1,25,048</b>	<b>1,46,779</b>	<b>1,51,327</b>
Capex	4,059	-35,518	-20,000	-35,000	-35,000
<b>Free cash flow</b>	<b>95,538</b>	<b>81,503</b>	<b>1,05,048</b>	<b>1,11,779</b>	<b>1,16,327</b>
Other investing activities	-3,374	28,944	-18,301	-16,798	-15,160
<b>Investing cash flow</b>	<b>92,164</b>	<b>1,10,448</b>	<b>86,747</b>	<b>94,981</b>	<b>1,01,167</b>
Issuance of share capital	8	-	-	-	-
Movement of Debt	-18,540	-4,500	-2,500	-5,000	-5,000
Dividend paid (incl DDT)	-20,510	-26,227	-25,482	-24,860	-24,860
Other financing activities	-2,728	-1,388	-2,034	-2,216	-1,916
<b>Financing cash flow</b>	<b>50,394</b>	<b>78,333</b>	<b>56,731</b>	<b>62,905</b>	<b>69,390</b>
<b>Net change in cash flow</b>	<b>8,312</b>	<b>28,777</b>	<b>32,817</b>	<b>42,851</b>	<b>69,047</b>
Opening C&CE	36,506	44,818	73,594	1,06,412	1,49,263
Closing C&CE	44,818	73,594	1,06,412	1,49,263	2,18,310

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 7: Key ratios

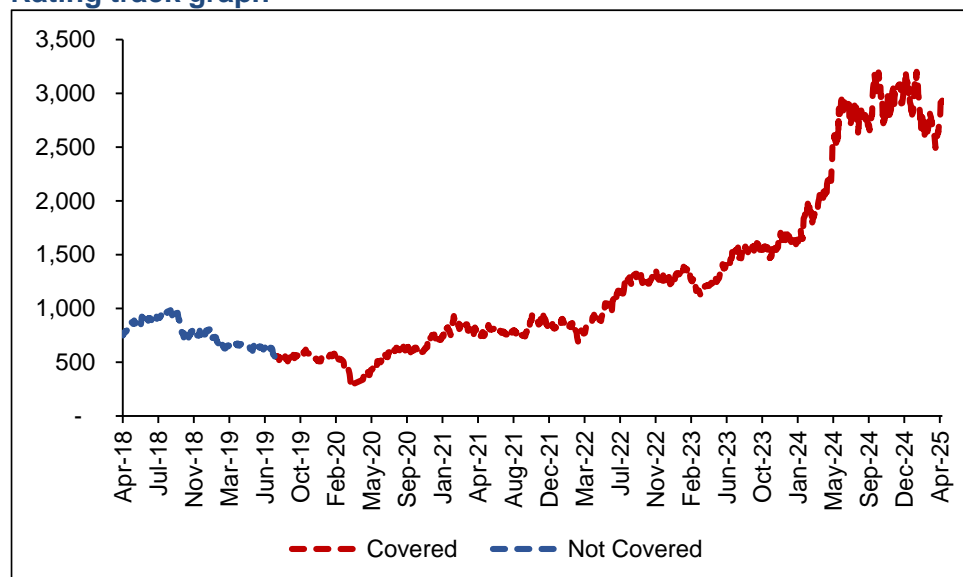
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Per share (Rs)</b>					
Adj EPS	66.6	86.2	86.3	107.3	127.4
Book value	348.7	413.8	479.6	566.8	674.2
DPS	16.5	21.1	20.5	20.0	20.0
<b>Valuation (x)</b>					
P/Sales	4.3	3.6	3.1	2.6	2.3
EV/EBITDA	34.9	28.5	20.9	17.2	14.3
P/E	45.7	34.0	34.0	27.3	23.0
P/BV	8.4	7.1	6.1	5.2	4.3
<b>Return ratios (%)</b>					
RoCE	11.9	12.8	14.8	16.1	16.4
RoCE (pre-tax)	14.7	16.2	20.2	21.3	21.7
RoE	17.8	20.8	18.0	18.9	18.9
RoIC	13.0	14.7	17.7	20.1	21.8
<b>Profitability ratios (%)</b>					
Gross margin	24.0	25.1	25.9	26.0	26.0
EBITDA margin	12.3	12.8	14.6	14.9	15.0
PAT margin	9.1	10.9	9.1	9.7	9.8
<b>Liquidity ratios (%)</b>					
Current ratio	1.1	1.2	1.2	1.3	1.4
Quick ratio	0.8	0.8	0.9	0.9	1.0
<b>Solvency ratio (%)</b>					
Net Debt to Equity ratio	0.0	(0.1)	(0.1)	(0.2)	(0.2)
<b>Turnover ratios</b>					
Fixed asset turnover ratio (x)	2.3	2.4	2.4	2.4	2.4
Debtor days	17.4	17.0	17.0	17.0	17.0
Inventory days	38.2	40.0	40.0	40.0	40.0
Creditor days	73.7	73.7	73.7	73.7	73.7
Net Working capital days	(18.1)	(16.7)	(16.7)	(16.7)	(16.7)

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
29 July 2019	Buy	565	800
08 August 2019	Buy	517	782
23 September 2019	Buy	565	711
11 November 2019	Buy	582	686
12 February 2020	Buy	524	663
30 March 2020	Buy	295	438
15 June 2020	Hold	510	518
10 August 2020	Buy	603	695
22 September 2020	Buy	618	830
11 November 2020	Buy	622	810
6 January 2021	Buy	739	929
7 February 2021	Buy	863	1,033
30 May 2021	Buy	845	972
7 August 2021	Buy	758	972
26 September 2021	Buy	779	972
10 November 2021	Buy	893	1,042
11 February 2022	Buy	853	1,025
31 May 2022	Buy	1,032	1,184
7 August 2022	Buy	1,237	1,444
13 November 2022	Buy	1,289	1,493
13 February 2023	Buy	1,363	1,575
28 May 2023	Buy	1,277	1,558
8 June 2023	Buy	1,384	1,593
5 August 2023	Buy	1,464	1,713
11 November 2023	Buy	1,524	1,866
14 February 2024	Buy	1,662	2,019
1 August 2024	Buy	2,929	3,386
09 October 2024	Buy	3,157	3,447
08 November 2024	Buy	2,900	3,388
27 November 2024	Buy	3,004	3,511
09 February 2025	Buy	3,193	3,873
09 April 2025	Buy	2,600	3,893
29 April 2025	Buy	2,931	3,462

## Rating track graph



## DISCLOSURES

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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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#### Team Details:

Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.  
 Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010