Temasek funding drives M&M EV arm valuation to ₹80,000 cr

Singapore investment firm to pump in ₹1,200 cr, hold 1.49–2.97% stake

SOHINI DAS
Mumbai, 3 August

Mahindra & Mahindra (M&M) announced on Thursday that Singapore-based investment firm Temasek Holdings will invest ₹1,200 crore in M&M's four-wheeler passenger electric vehicle (EV) subsidiary, Mahindra Electric Automobile (MEAL), at a valuation of up to ₹80,580 crore ($9.8 billion). This is 15 per cent more than the ₹70,070 valuation MEAL fetched last year when British International Investment (BII) had invested.

At a valuation of around $9.8 billion, this is one of the highest valuations fetched by any EV company in recent times. It assumes significance as M&M's electric portfolio is yet to launch apart from the XUV400 electric, said an analyst. "In contrast, Tata Motors already has the highest market share in the electric passenger vehicle space. M&M has differentiated its play by choosing to focus only on electric SUVs," the analyst added.

M&M and Temasek have executed the binding agreement for Temasek to invest ₹1,200 crore in the form of compulsorily convertible preference shares, valuing MEAL at ₹80,580 crore, resulting in Temasek's ownership of a 1.49-2.97 per cent stake in MEAL.

Temasek will join BII as an investor in MEAL. BII had invested ₹1,925 crore mid-last year at a valuation of ₹70,070 crore. BII had invested through compulsorily convertible instruments that gave it 2.75 per cent to 4.76 per cent ownership of MEAL.

M&M said that the amount invested is consistent with the Mahindra Group's plan to minimise dilution. Anish Shah, managing director and chief executive officer (CEO), M&M, said that having Temasek as a partner, known for its strong governance globally, is a step forward in executing its strategy towards future leadership in electric sport utility vehicles (SUVs).

Rajesh Jejurikar, executive director and CEO (auto and farm Sector) at M&M, commented, "We demonstrated Mahindra's ambition to build a desirable global brand with the reveal of our Born EV portfolio based on the INGLO (IN for India and GLO for Global) platform in August 2022 in the UK, which is on track for execution. By having Temasek as an investor, we have strengthened our global strategic partnerships and are targeting 20 per cent to 30 per cent of Mahindra SUV sales from EVs by 2027."

M&M's peer Tata Motors had secured an investment of ₹7,500 crore from TPG Rise Climate and ADQ in 2021 for its EV business, which is housed under Tata Passenger Electric Mobility, valuing the EV arm at $9.1 billion.

According to reports, Tata was also out in the market to raise funds as it planned to retire a part of its outstanding debt.

M&M had indicated in December that it is investing ₹10,000 crore towards setting up an EV manufacturing facility in Pune.

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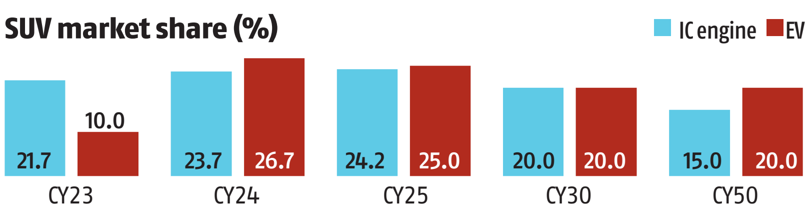
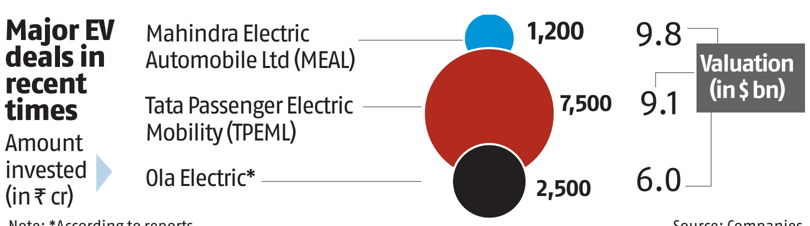
	CY23	CY24	CY25	CY30	CY50
Total volume	368,552	442,307	488,672	740,677	4,948,693
IC engine	362,552	418,307	452,672	518,474	781,373
Electric vehicle	6,000	24,000	36,000	222,203	4,167,320



Source: Company, CLSA



Note: *According to reports
Source: Companies

S&P cuts outlook on Vedanta Resources

S&P Global Ratings on Thursday cut its outlook on Vedanta Resources, parent of metals-to-oil conglomerate Vedanta, to "negative" from "stable", citing increased funding risks.

The rating agency said the Anil Agarwal-owned company's "weakened access" to cash flow from its operating units amid challenging external financing conditions raised its refinancing risk. The negative outlook reflects the company's tight liquidity due to large debt maturities until March 2025, S&P said.

Vedanta promoter entity trim stake by 4.14%

Twin Star Holdings sold 4.14 per cent stake in Vedanta on Thursday. The promoter entity sold 154.1 million shares at ₹258.6 apiece to mop up ₹3,983 crore. Copthall Mauritius Investment and Societe Generale picked up shares worth ₹2,194 crore and ₹761 crore, respectively, data provided by stock exchanges showed. REUTERS & BS REPORTER

Ambuja acquires Sanghi Industries in ₹5K cr deal

Marks Adani group's first major deal since the Hindenburg Research report

AMRITHA PILLAY
Mumbai, 3 August

Gautam Adani-owned Ambuja Cements on Thursday announced its acquisition of Sanghi Industries at an enterprise value of ₹5,000 crore.

This is the Adani Group's first major deal since the damning Hindenburg Research report in January.

Analysts term it a bet on sea-logistics.

The acquisition, expected to close in the next three to four months, will entail purchase of 56.74 per cent shares from Sanghi Industries' promoter group comprising Ravi Sanghi and family and another 26 per cent of the voting share capital pursuant to the open offer.

With multiple other suitors for the cement asset, what could have worked in Adani's favour, according to analysts, is the port-related synergies at the group level.

"Our channel checks suggest some other bidders balked at the asking price for assets, especially considering the shallow depth (of the captive port) (draft of 4.5 metres), which allows only relatively smaller vessels," analysts with Ambit Capital noted in a report on Thursday, prepared prior to the deal announcement.

Aware of the limitations, part of the announcement, Ambuja Cements said it will invest to increase Sanghi's cement capacity to 15 MTPA in the next two years and invest in expanding Sanghi's captive port capacity to handle larger vessels of 8,000 DWT (deadweight tonnage).

"It is a good deal for Ambuja given the group synergies. No other cement company (with no port experience) would have been able to address the draft related logistics issue," said a cement analyst, who did not wish to be identified.

Not everyone is convinced. "Adani Ports had already done some dredging historically for Sanghi Cement on a commercial basis, but if that's the case, why couldn't Sanghi Cement do it, or why didn't other bidders such as JSW consider that possibility," analysts with Ambit noted in the report, pointing Sanghi's historically low utilisation levels.

> **Ambuja Cements said it will invest to increase Sanghi's cement capacity to 15 MTPA in the next two years**

Expanding along the west coast

The captive port infrastructure is crucial from the access to Mumbai and other markets perspective.

"Surat and Mumbai, are currently the two best markets for cement in India," said the cement analyst quoted earlier in the story.

Karan Adani, non-executive and non-independent director of Ambuja Cements is aware of the potential.

He said, the vision is to produce lowest-cost clinker in the country at Sanghipuram (Sanghi's location) and then transport clinker as well as bulk cement through coastal route to the market of Saurashtra, South Gujarat, Mumbai and Mumbai Metropolitan region, Karnataka and Kerala.

"Synergy with the assets of Adani ports will help us accelerate the implementation of this strategy," Adani said.

100+ mtpa mark

The acquisition will take Adani Group's cement capacity — ACC Ltd included — to 73.6 million tonnes per annum (mtpa).

The group plans to hit the mark of more than 100 mtpa by 2025, aided by the Sanghi acquisition.