

BUY

TP: Rs 13,806 | ▲ 15%

MARUTI SUZUKI

| Automobiles

| 30 January 2025

Steady performance despite challenges; maintain BUY

- Q3FY25 revenue growth was 16%/4% YoY/QoQ backed by the mix of buoyancy in the festive quarter and tapering post festivities
- Mild commodity costs inflation, adverse forex movement hit gross margin by 60bps YoY. Better cost control restricted EBITDA margin fall
- Tweak estimates factoring in mild volume impact. We continue to value MSIL at 25x P/E with revised TP of Rs 13,806 (Rs 13,451). Maintain BUY

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Healthy topline; no major impact on realisation despite discounts is the key: MSIL's Q3FY25 revenue grew by a healthy 16%/4% YoY/QoQ at Rs 384bn backed by the mix of buoyancy in the festive quarter and tapering post festivities. This was backed by realisation improvement of 2% YoY (-1% QoQ) despite healthy volume growth of 13%/5% YoY/QoQ. Higher SUV demand continued to drive sales volume of 566.2k units. Average blended realisation/vehicle was Rs 679.8k. MSIL extended higher discounts per vehicle of Rs 30.99k vs Rs 29.3k in Q2FY25.

Operating margin withers on adverse forex/commodity cost inflation: Raw material cost jumped 70bps YoY (soft QoQ) to 71.6% of sales, lowering gross margin to 28.4% from 29.1%. Despite this and adverse forex EBITDA was 1% higher YoY at ~Rs 44.7bn, with margin flat YoY at 11.6% (better by 30bps QoQ). Other expenses rose 11%/8% YoY/QoQ to Rs 49.2bn. Employee cost also jumped 15%/5% YoY/QoQ (flat 4% of sales).

Capacity expansion plans: The plant in Kharkoda is on track for an additional 0.3mn units of capacity and will be commissioned in Q4FY25. MSIL has signed an MoU with the Gujarat government to set up a 1mn unit plant by FY29 and has earmarked Rs 350bn of capex. This is besides the recently-commissioned additional facility at Manesar (Q1FY25), increasing the capacity to 0.9mn/year. MSIL also increased the capacity of Ertiga and the supply of CNG vehicles.

Tweak estimates, maintain BUY: We tweak our FY26E/FY27E EPS by +2%/-1% due to a revival backed by launches in FY26 but tempered by additional cost impact in both years. We cut our FY25E by 8% to factor in slow growth in 9MFY25. Our three-year Revenue/ EBITDA/PAT CAGR is healthy at 14%/14%/10%. Our gross margin assumptions hover at ~29% with EBITDA margin of ~12% over FY25E-FY27E. We factor in an upbeat growth outlook backed by MSIL's focus on premiumisation, healthy capex and thrust on electric vehicles (average of 1 EV launch till FY30). The recent revival in rural affordability only augurs well for MSIL. We maintain our BUY rating as we continue to value MSIL at 25x P/E 1-year forward earnings (on par with its 10Y average), with a revised TP of Rs 13,806 (Rs 13,451).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	MSIL IN/Rs 11,978
Market cap	US\$ 41.8bn
Free float	44%
3M ADV	US\$ 59.0mn
52wk high/low	Rs 13,680/Rs 9,913
Promoter/FPI/DII	56%/23%/16%

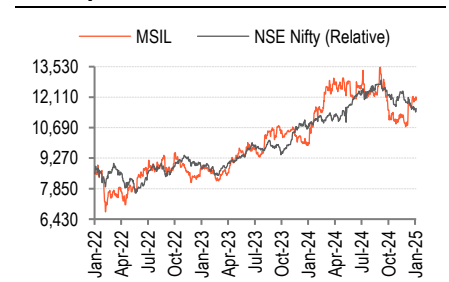
Source: NSE | Price as of 29 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	14,09,326	15,68,989	18,16,497
EBITDA (Rs mn)	1,64,011	1,84,075	2,18,901
Adj. net profit (Rs mn)	1,32,094	1,29,543	1,58,419
Adj. EPS (Rs)	437.3	428.8	524.4
Consensus EPS (Rs)	437.3	484.0	540.9
Adj. ROAE (%)	15.7	13.9	15.1
Adj. P/E (x)	27.4	27.9	22.8
EV/EBITDA (x)	22.0	19.7	16.5
Adj. EPS growth (%)	64.1	(1.9)	22.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q3FY25	Q2FY25	Our view
Volumes	<p>MSIL sold 566.2k vehicles in Q3FY25 (volume grew 4.6%/13% QoQ/YoY). MSIL sold 466.9k units in the domestic market, up 0.69%/8.7% QoQ/YoY</p> <p>MSIL grew at 3.5% at retail level in 9MFY25 and expects similar growth in Q4FY25. MSIL observed rural markets doing better than urban markets with a continuing trend of upper segments doing better than lower segments.</p>	<p>MSIL sold 541.5k vehicles in Q2FY25 (volume grew 3.9% QoQ, fell 1.9% YoY). MSIL sold 463.8k units in the domestic market, up 2.8% QoQ while falling 3.9% YoY. Demand for PV remains muted, however UV and LCV segments have shown some positive signs of growth. Per management, volume in the festive period starting from Shraddh to Diwali in FY25 has already grown 14% YoY. MSIL expects retail sales to grow by 3-4% in FY25.</p>	<p>MSIL continues to focus on a favourable mix. In terms of launches, rural demand transition to premium products is very encouraging. Retail sales at 4% is likely to continue in the short term.</p>
Margins	<p>In Q3FY25 operating profit margin came down to 10%, vs 10.3% QoQ, as sales promotion expense was higher by 20bps QoQ and higher discounts were provided. There was additional advertisement expense on account of new launches.</p> <p>Forex movement was adverse by 20bps in Q3FY25 due to unfavourable Yen.</p> <p>Adverse expenses offset to some extent by favourable commodity prices (40bps) and operating leverage (30bps).</p>	<p>In Q2FY25 operating profit margin dropped to 10.3% vs 11.1% QoQ. The benefit of reduction in employee expenses by 50bps was offset by the reduction in other income. Since volume increased by 3.9% QoQ, the benefit obtained from operating leverage is about 40-50bps.</p> <p>One-time tax provision of Rs 8.37bn due to withdrawal of indexation benefit and change in tax rate on LTCG as per Finance Act 2024 impacted bottomline.</p>	<p>Mild reversal in commodity prices and adverse forex impacted operating efficiencies mildly. However, an increasing share of high-end products will help MSIL retain better product mix and, hence, gross/EBITDA margins.</p>
Discounts	<p>Discounts extended per vehicle for Q3FY25 was Rs 30.99k vs Rs 29.3k in Q2FY25.</p> <p>MSIL recently announced a small price hike of 30bps of net sales to cover inflationary pressures.</p>	<p>Discounts extended per vehicle for Q2FY25 was Rs 29.3k vs Rs 21.7k in Q1FY25. However, since inventory levels have come down close to 30 days stock, there are indications that MSIL may reduce the discount.</p>	<p>The higher discount impact was offset by better product mix as reflected in the realisation gains. That is very encouraging for MSIL in a competitive markets.</p>
Supply	<p>In Q3FY25 one in three vehicles sold in the domestic market was a CNG vehicle.</p>	<p>In Q2FY25 CNG vehicles were 33% of total sales and currently MSIL has 14 models of CNG including the recently launched Epic News Swift model. MSIL will launch 1 EV variant on average in the next 5-6 years.</p>	<p>No major concerns on growth, with the launch of EV and variants in the ICE segment. However, with limited supply-side constraints in the near future there will be some concerns on growth only in the short term.</p>
Commodities	<p>Margins have narrowed due to increase in advertisement and promotional expenses and unfavourable forex rate. However, adverse expenses were offset to some extent by favourable commodity prices (40bps) and operating leverage (30bps).</p>	<p>Margins have narrowed due to increase in commodity prices by 50bps and promotional expenses by 80bps. However favourable forex rate has reduced the impact to some extent.</p>	<p>Some negative surprises were expected due to commodity cost inflation in the near term which were reflected in the Q3 gross margin decline for MSIL.</p>
Capacity	<p>The plant in Kharkoda is on track for an additional 0.3mn units of capacity and will be commissioned in Q4FY25.</p>	<p>The plant in Kharkoda is on track for an additional 0.3mn units of capacity and will be commissioned by the end of FY25.</p>	<p>Capacity expansion is key for growth and is being addressed by management. MSIL's focus</p>

Parameter	Q3FY25	Q2FY25	Our view
		The manufacturing facility at Manesar achieved a milestone of cumulative production of 10mn units.	on the EV segment is a step in the right direction.
Exports	<p>Sales volume in the export market in Q3FY25 was 99.2k, up 28%/38% QoQ/YoY. Revenue generated in Q3FY25 through exports was Rs 65bn.</p> <p>Major markets for MSIL's exports include Africa, LATAM, Middle East and ASEAN countries.</p> <p>MSIL had a 50% share of India's total passenger vehicle exports in Q3FY25.</p>	<p>Sales volume in the exports market in Q2FY25 was 77.7k, up 10%/12% QoQ/YoY. MSIL had a 40% share of India's total passenger vehicle exports in Q2FY25 as well.</p> <p>MSIL managed to sell 200k units of Fronx in 17.3 months and has commenced exports to Japan as well. The royalty payment was 3.4% of sales.</p> <p>MSIL is setting up hedging to counter exchange rate volatility.</p>	Exports still form a relatively small proportion of the topline. Steady exports demand will aid further revenue growth.
Electric Vehicles	<p>MSIL unveiled its first e-SUV, the e-Vitara at the Bharat Mobility Global Expo 2025. It comes with efficient battery pack to deliver 500km for 61kwh in a single charge. E-Vitara will have OEM sales and exports to about 100 countries.</p> <p>MSIL is preparing about 1,500 EV-enabled service workshops covering 1000+ cities with specially trained manpower and equipment to address all EV-related support</p>	MSIL will display its EV Model at the motor show, the auto expo or the Bharat Mobility Show in Jan'25. It's a newly-designed long range EV with a 60kwh battery and will be exported as well to Europe and Japan. MSIL will be launching 1 EV every year on average in the next 5-6 years.	This is in line with the company's long-term guidance of launching EVs by FY25-end. Strong focus on the EV launches only augur well for overall growth.
Other key points	<p>MSIL had stock of only about 9 days by December end.</p> <p>Maruti Suzuki Dzire, clocked 3mn production milestone in Dec'24.</p> <p>Board approval received on 29 January 2025 for amalgamation of Suzuki Motor Gujarat (SMG) with MSIL.</p>	<p>MSIL shall soon achieve inventory levels of 30 days post festive season.</p> <p>MSIL has introduced extended warranty options to cover vehicles for up to six years or 160k kms, whichever is earlier.</p> <p>MSIL's 100% subsidiary Suzuki Motor Gujarat (SMG) will be amalgamated with effective from 1 April 2025, subject to regulatory and legal compliance.</p>	Inventory concerns were only for the short term, on average no major concerns. Dzire continues to occupy prominent market share in its segment.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E
Volume	5,66,213	5,01,207	13.0	5,41,550	4.6	5,66,213
Avg. Realisation per Vehicle	6,79,817	6,64,570	2.3	6,86,969	(1.0)	6,73,230
Net Revenues	3,84,921	3,33,087	15.6	3,72,028	3.5	3,81,191
Total Income (A)	3,84,921	3,33,087	15.6	3,72,028	3.5	3,81,191
Operating Expenses						
Raw materials consumed	2,75,567	2,36,176	16.7	2,67,459	3.0	2,74,873
Employee Expenses	15,415	13,386	15.2	14,688	4.9	14,676
Other Expenses	49,228	44,446	10.8	45,715	7.7	47,649
Total Expenditure (B)	3,40,210	2,94,008	15.7	3,27,862	3.8	3,37,198
EBITDA (A-B)	44,711	39,079	14.4	44,166	(2.7)	43,994
Other Income	9,850	9,330	5.6	14,750	(13.0)	10,200
Depreciation	8,050	7,517	7.1	7,509	4.3	7,481
EBIT	46,511	40,892	13.7	51,407	(9.5)	46,713
Finance Costs	484	354	36.7	402	20.4	411
PBT after excep items	46,027	40,538	13.5	51,005	(9.8)	46,302
Tax expense	10,769	9,238	16.6	20,313	(47.0)	10,418
Reported PAT	35,258	31,300	12.6	30,692	14.9	35,884
Adjusted PAT	35,258	31,300	12.6	30,692	14.9	35,884
EPS (Rs)	116.7	103.6	12.6	101.6	14.9	118.8
Key Ratios (%)			(bps)		(bps)	
Gross Margin	28.4	29.1	(69)	28.1	30	27.9
EBITDA Margin	11.6	11.7	(12)	11.9	(26)	11.5
EBIT Margin	12.1	12.3	(19)	13.8	(173)	12.3
PBT Margin	12.0	12.2	(21)	13.7	(175)	12.1
Tax Rate	23.4	22.8	61	39.8	(1643)	22.5
Adj PAT Margin	9.2	9.4	(24)	8.2	91	9.4

Source: Company, BOBCAPS Research

Valuation methodology

We tweak our FY26E/FY27E EPS by +2%/-1% based on a revival backed by launches in FY26 but tempered by the additional cost impact in both years. We cut FY25E by 8% to factor in the slow growth in 9MFY25. Our three-year Revenue/ EBITDA/PAT CAGR is healthy at 14%/14%/10%. Our gross margin assumptions hover at ~29% with EBITDA margin of ~12% over FY25E-FY27E. We factor in an upbeat growth outlook backed by MSIL's focus on premiumisation, healthy capex and thrust on electric vehicles (1 EV launch on average till FY30). Additionally, the recent revival in rural affordability only augurs well for MSIL.

We maintain our BUY rating as we continue to value the stock at 25x P/E 1-year forward earnings (on par with its 10Y average), leading to a revised TP of Rs 13,806 (Rs 13,451 earlier).

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	15,68,989	18,16,497	20,64,517	16,28,760	18,47,013	21,09,058	(3.7)	(1.7)	(2.1)
EBITDA	1,84,075	2,18,901	2,40,322	1,93,512	2,20,664	2,47,052.0	(4.9)	(0.8)	(2.7)
Adj PAT	1,29,543	1,58,419	1,74,067	1,40,449	1,56,116	1,75,438.0	(7.8)	1.5	(0.8)
Adj EPS (Rs)	428.8	524.4	576.2	464.9	516.8	580.8	(7.8)	1.5	(0.8)

Source: BOBCAPS Research

Fig 4 – Key assumptions

Parameter	FY24	FY25E	FY26E	FY27E
Volume (nos)	20,64,472	22,42,089	24,66,298	26,75,933
ASP (Rs)	6,66,465	6,99,789	7,36,528	7,71,513
Revenues (Rs mn)	14,09,326	15,68,989	18,16,497	20,64,517
EBITDA (Rs mn)	1,64,011	1,84,075	2,18,901	2,40,322
Operating margin (%)	11.6	11.7	12.1	11.6
Adjusted Net Profit (Rs mn)	1,32,094	1,29,543	1,58,419	1,74,067
Adjusted EPS (Rs)	437	429	524	576

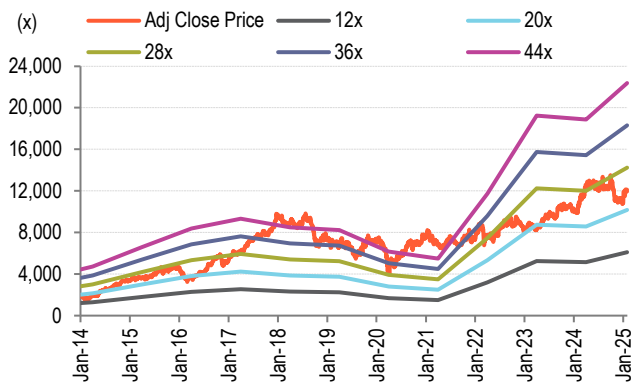
Source: Company, BOBCAPS Research

Fig 5 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	EPS (Rs)		ROE (%)	
				FY26E	FY27E	FY25E	FY26E
Maruti Suzuki	MSIL IN	BUY	13,806	524	576	16.0	15.6
Mahindra & Mahindra	MM IN	BUY	3,344	119	130	21.1	19.4

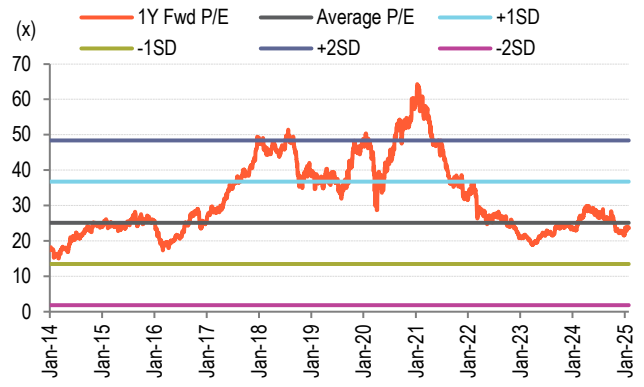
Source: BOBCAPS Research

Fig 6 – P/E band: We value MSIL at 25x 1Y forward EPS



Source: Company, Bloomberg, BOBCAPS Research

Fig 7 – P/E 1Y fwd: Valuation is at mean average



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- intense competitive pressure leading to higher discounts/price cuts,
- commodity inflation gaining pace faster than expected, and
- delays in model launches in various segments, including CNG and electric vehicles.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	11,75,229	14,09,326	15,68,989	18,16,497	20,64,517
EBITDA	1,10,077	1,64,011	1,84,075	2,18,901	2,40,322
Depreciation	28,233	30,223	30,172	37,120	44,044
EBIT	1,03,457	1,72,336	1,81,517	2,12,842	2,33,445
Net interest inc./(exp.)	(1,866)	(1,932)	(1,596)	(1,616)	(1,356)
Other inc./(exp.)	21,613	38,548	27,615	31,061	37,167
Exceptional items	0	0	0	0	0
EBT	1,01,591	1,70,404	1,79,921	2,11,226	2,32,089
Income taxes	21,099	38,310	50,378	52,806	58,022
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	80,492	1,32,094	1,29,543	1,58,419	1,74,067
Adjustments	0	0	0	0	0
Adjusted net profit	80,492	1,32,094	1,29,543	1,58,419	1,74,067

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	1,51,982	1,88,798	1,98,993	2,31,752	2,64,024
Other current liabilities	27,163	27,914	43,020	51,977	59,963
Provisions	10,500	13,514	3,597	3,957	4,352
Debt funds	38,322	32,802	34,399	24,371	17,344
Other liabilities	0	0	0	0	0
Equity capital	1,510	1,572	1,510	1,510	1,510
Reserves & surplus	6,02,311	8,38,249	9,32,021	10,49,438	11,76,530
Shareholders' fund	6,03,821	8,39,821	9,33,531	10,50,948	11,78,040
Total liab. and equities	8,31,788	11,02,849	12,13,540	13,63,005	15,23,723
Cash and cash eq.	377	4,600	7,113	5,959	11,236
Accounts receivables	32,958	46,013	39,225	46,321	52,645
Inventories	42,838	41,196	62,760	73,568	83,613
Other current assets	55,324	65,019	66,869	75,202	82,767
Investments	4,77,564	6,85,137	7,31,015	8,22,015	9,27,015
Net fixed assets	1,78,938	1,87,258	2,27,086	2,49,966	2,65,922
CWIP	28,081	63,034	65,000	75,000	85,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	3,411	1,124	5,006	5,507	6,058
Other assets	12,296	9,467	9,467	9,467	9,467
Total assets	8,31,787	11,02,848	12,13,540	13,63,005	15,23,723

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	91,473	1,43,761	1,29,263	1,78,701	1,96,307
Capital expenditures	(68,785)	(73,496)	(71,966)	(70,000)	(70,000)
Change in investments	(69,931)	(2,07,573)	(45,878)	(91,000)	(1,05,000)
Other investing cash flows	21,613	38,548	27,615	31,061	37,167
Cash flow from investing	(1,17,103)	(2,42,521)	(90,229)	(1,29,939)	(1,37,833)
Equities issued/Others	0	1,28,405	(62)	0	0
Debt raised/repaid	12,322	(5,520)	1,597	(10,029)	(7,027)
Interest expenses	(1,866)	(1,932)	(1,596)	(1,616)	(1,356)
Dividends paid	(18,125)	(27,187)	(38,062)	(43,390)	(49,465)
Other financing cash flows	(1,384)	2,287	(3,882)	(501)	(551)
Cash flow from financing	(9,053)	96,053	(42,005)	(55,536)	(58,398)
Chg in cash & cash eq.	(34,683)	(2,707)	(2,971)	(6,774)	75
Closing cash & cash eq.	377	4,600	7,113	5,959	11,236

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	266.5	437.3	428.8	524.4	576.2
Adjusted EPS	266.5	437.3	428.8	524.4	576.2
Dividend per share	60.0	90.0	126.0	143.6	163.7
Book value per share	1,998.9	2,780.1	3,090.3	3,479.0	3,899.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	3.0	2.6	2.3	2.0	1.8
EV/EBITDA	32.5	22.0	19.7	16.5	15.0
Adjusted P/E	45.0	27.4	27.9	22.8	20.8
P/BV	6.0	4.3	3.9	3.4	3.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	79.2	77.5	72.0	75.0	75.0
Interest burden (PBT/EBIT)	98.2	98.9	99.1	99.2	99.4
EBIT margin (EBIT/Revenue)	8.8	12.2	11.6	11.7	11.3
Asset turnover (Rev./Avg TA)	194.4	186.1	170.5	177.8	181.8
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
Adjusted ROAE	14.1	18.3	14.6	16.0	15.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	33.1	19.9	11.3	15.8	13.7
EBITDA	93.1	49.0	12.2	18.9	9.8
Adjusted EPS	113.7	64.1	(1.9)	22.3	9.9
Profitability & Return ratios (%)					
EBITDA margin	9.4	11.6	11.7	12.1	11.6
EBIT margin	8.8	12.2	11.6	11.7	11.3
Adjusted profit margin	6.8	9.4	8.3	8.7	8.4
Adjusted ROAE	14.1	15.7	13.9	15.1	14.8
ROCE	13.5	17.4	14.1	15.5	15.3
Working capital days (days)					
Receivables	8	10	10	9	9
Inventory	12	11	12	14	14
Payables	60	62	64	62	62
Ratios (x)					
Gross asset turnover	0.3	0.3	0.3	0.3	0.3
Current ratio	0.7	0.7	0.7	0.7	0.7
Net interest coverage ratio	(55.4)	(89.2)	(113.7)	(131.7)	(172.2)
Adjusted debt/equity	0.1	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

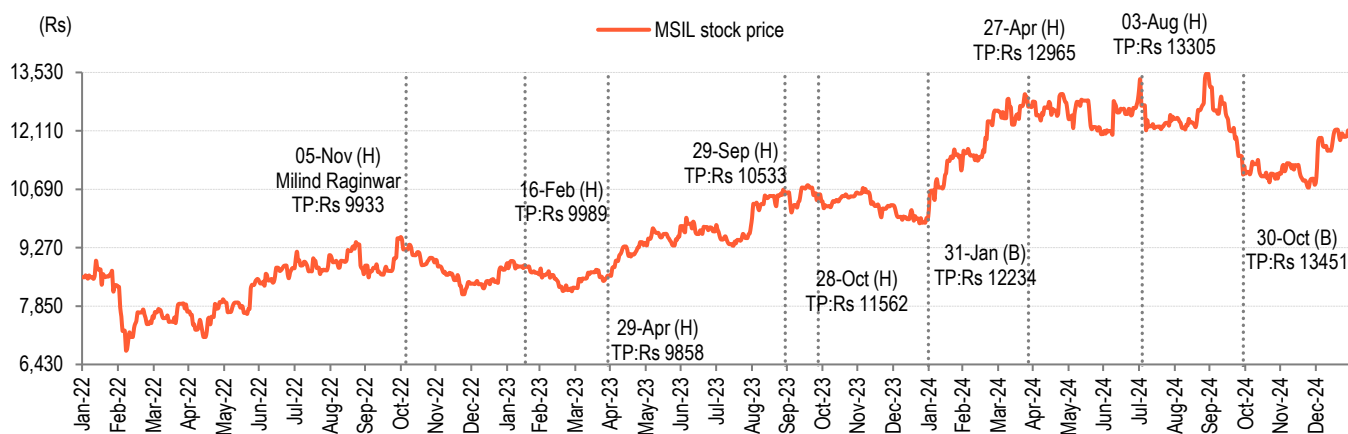
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): MARUTI SUZUKI (MSIL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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