BUY
TP: Rs 13,899 | ⮝ 19%

MARUTI SUZUKI | Automobiles | 26 April 2025

Geared to meet challenges; maintain BUY

- **Q4FY25 revenue growth was 6% each YoY/QoQ, backed by the mix of steady volume growth and supported by realisation gains YoY**
- **Mild commodity costs inflation hit gross margin by 40bps YoY. Adverse overall cost inflation also impacts EBITDA margin (at 10.5%)**
- **Tweak EBITDA factoring in mild volume impact. We continue to value MSIL at 25x P/E with revised TP of Rs 13,899 (Rs 13,806). Maintain BUY**

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Topline steady; volume and realisations key drivers: MSIL's Q4FY25 revenue grew by a steady 6% each YoY/QoQ at ~Rs 407bn, backed by a mix of realisation and volume gains. Volume gains of 4% were backed by 3% YoY realisation gains, despite the adverse product mix (down 1% QoQ). Contribution from the high-end UV segment was ~37%, up from 36% YoY (down from 39.7% QoQ); exports contribution was higher at ~14.1% in Q4FY25, up from 13.5% YoY (flat Q3FY25). Average blended realisation/vehicle was Rs 672k.

Operating margin withers on adverse commodity and overall cost inflation: Raw material cost (inventory adjusted) rose by ~7%/6% YoY/QoQ and RM as percentage of sales inflated to ~71.9% versus 71.4% in Q4FY24, hit by the impact of higher RM cost (71.6% in 3QFY25). Hence, gross margins fell by ~40bps YoY to ~28.1% vs 28.6%/28.4% YoY/QoQ. Further, QoQ adverse impact of new Kharkoda plant overheads (30bps), adverse product mix (40bps), higher promo expenses (30bps, driven by Bharat Mobility Show, e-Vitara unveil etc.) and other expenses (90bps due to lumpy/seasonal costs like CSR, repairs, digitalisation, R&D) collectively impacted EBITDA margins to 10.5% down ~120bps/110bps YoY/QoQ.

Capacity expansion plans: The plant in Kharkoda was commissioned in Q4FY25. MSIL has signed an MoU with the Gujarat government to set up a 1mn unit plant by FY29 and has earmarked a capex of Rs 350bn. MSIL launched 2 new models in FY25 and plans to launch EV Grand Vitara and an SUV in FY26.

Tweak estimates, maintain BUY: We tweak our FY26E/FY27E EBITDA by -6%/-2% due to a slow demand revival, continued adverse mix in FY26 and tempered by additional cost impact. Our 3Y Revenue/ EBITDA/PAT CAGR is healthy at 10%/13%/11%; gross margin assumptions hover at ~30% with EBITDA margin of ~12% over FY25E-FY27E. We estimate the growth outlook backed by MSIL's focus on premiumisation, healthy capex and thrust on electric vehicles (average of 1 EV launch till FY30). Recent revival in rural affordability only augurs well for MSIL. We maintain BUY as we continue to value MSIL at 25x P/E 1YF earnings (on par with its 10Y average), with a revised TP of Rs 13,899 (Rs 13,806).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	MSIL IN/Rs 11,698
Market cap	US$ 41.4bn
Free float	44%
3M ADV	US$ 59.6mn
52wk high/low	Rs 13,680/Rs 10,725
Promoter/FPI/DII	56%/23%/16%

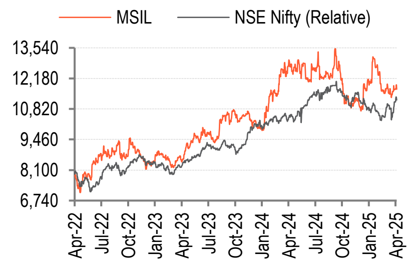
Source: NSE | Price as of 25 Apr 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	15,19,001	16,80,387	18,61,196
EBITDA (Rs mn)	1,77,852	2,06,046	2,36,206
Adj. net profit (Rs mn)	1,39,552	1,59,150	1,78,360
Adj. EPS (Rs)	443.9	506.2	567.3
Consensus EPS (Rs)	443.9	512.0	573.0
Adj. ROAE (%)	14.9	15.1	15.1
Adj. P/E (x)	26.4	23.1	20.6
EV/EBITDA (x)	20.0	17.1	15.0
Adj. EPS growth (%)	5.6	14.0	12.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q4FY25	Q3FY25	Our view
Volumes	In Q4FY25, MSIL sold 604.6K units, up 3.5% YoY. Domestic sales grew 2.8% to 519.5k units, and exports rose 8.1% to 85.1k units. Retail sales (4.2% gain YoY) outpaced wholesale, boosting retail market share marginally. Total sales of 2.23 mn units, up 4.6% YoY, driven by 2.7% domestic growth and 17.5% export growth. Rural markets outperformed urban markets in Q4 and FY25.	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. 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.	Retail sales at 4.2% is likely to continue in the short term. Further, the new capacity at Kharkhoda will aid volume as capacity utillisation improves. Better export sales offset lower volume revival in domestic markets.
Margins	Operating profit margin fell to 8.7% from 10% in Q3FY25, due to adverse factors: New Kharkoda plant overheads/depreciation (30bps), steel commodity costs (20bps), adverse product mix (40bps), higher ad expenses (30bps, driven by Bharat Mobility Show, e-Vitara unveil, IPL), and other expenses (90bps, due to lumpy/seasonal costs like CSR, repairs, digitalization, R&D) However, there were positives: lower sales promotion expenses (40bps), favourable operating leverage (40bps), and forex gains (20bps, accounted in non-operating income due to hedging).	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. Forex movement was adverse by 20bps in Q3FY25 due to unfavourable Yen. Adverse expenses offset to some extent by favourable commodity prices (40bps) and operating leverage (30bps).	Mild reversal in commodity prices was offset by positive forex impact. One-time impact of new plant overheads will offset over the period. Promo expenses, too, will reverse in the short term.
Discounts	MSIL has announced two price hikes to offset steel cost pressures, although impact was not fully translated in the quarter.	Discounts extended per vehicle for Q3FY25 was Rs 30.99k vs Rs 29.3k in Q2FY25. MSIL recently announced a 30bps price hike of net sales to cover inflationary pressures.	Commodity price hikes pass through in the market twice help reduce pressure on margins —very encouraging for MSIL in a competitive market.
Supply	CNG share slightly declined to 33.7% from 36.1% in Q3FY25, but remained a significant portion of sales, supported by robust supply of 14 CNG models.	In Q3FY25, one in three vehicles sold in the domestic market was a CNG vehicle.	Adverse product mix did impact margins. However, the launch of EV and variants in the ICE segment implies no major impediment to growth.
Commodities	Steel prices had an impact on margins (20 bps), with safeguard taxes on steel imports mentioned. MSIL's imports exceed the minimum import price threshold, avoiding a direct impact while keeping an eye on domestic steel price hikes.	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).	Some negative surprises were expected due to commodity cost inflation in the near term, which were reflected in Q4 gross margin decline for MSIL. However, pass-through impact will be reflected in Q1FY26
Capacity	Kharkoda Phase 1 (250k units per year) began commercial production in March 2025. Initial overheads/depreciation reduced margins by 30bps, but production ramp-up will normalise costs. Manesar facility has reached the 10 mn-unit milestone.	Kharkoda plant is on track for an additional 0.3mn units of capacity and will be commissioned in Q4FY25.	Capacity expansion is key for growth and is being addressed by management. MSIL’s focus on the EV segment is a step in the right direction.

Parameter	Q4FY25	Q3FY25	Our view
Exports	Exports increased 8.1% YoY to 85,089 units, with MSIL accounting for 48.4% of India's PV export market. In FY25, exports increased by 17.5% to 332k units. Furthermore, the company expects exports to grow at 20% in FY26.	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. Major markets for MSIL's exports include Africa, LATAM, Middle East and ASEAN countries. MSIL had a 50% share of India's total passenger vehicle exports in Q3FY25.	Exports still form a relatively small proportion of the topline. Steady exports demand will aid further revenue growth. In a relatively slower domestic growth pace, focus on exports especially with EV launches will help volume growth
Electric Vehicles	MSIL's first electric SUV e-Vitara was unveiled and another SUV is in pipeline for this year. The company's HeartTech platform will be the base for the upcoming SUV.	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. 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	This is in line with the company's long-term guidance of launching EVs by FY25-end. Strong focus on EV launches only augur well for the overall growth.
Other key points	At end-Q4FY25, the stock was of 28 days and has normalised due to higher wholesale sales. CAFE norms are under discussion and are likely to be finalized in 1-2 months. Hybrid adoption increased in FY25 due to favorable customer reaction and supportive state policies. MSIL introduced high-voltage courses for hybrid and EV serviceability. Suzuki Motor Gujarat (SMG) amalgamation with MSIL effective April 1, 2025, subject to regulatory approval.	MSIL had a stock of only about 9 days by December end. Maruti Suzuki Dzire clocked 3mn production milestone in Dec'24. Board approval received on 29 January 2025 for amalgamation of Suzuki Motor Gujarat (SMG) with MSIL.	Inventory concerns were only for the short term; on an average no major concerns. MSIL is confident of a pass through of regulatory price hikes, thus having a minimal impact on margins.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E
Volume	6,04,635	5,84,031	3.5	5,66,213	6.8	6,04,635
Avg. Realisation per Vehicle	6,72,700	6,54,672	2.8	6,79,817	(1.0)	6,73,018
Net Revenues	4,06,738	3,82,349	6.4	3,84,921	5.7	4,06,931
Total Income (A)	**4,06,738**	**3,82,349**	**6.4**	**3,84,921**	**5.7**	**4,06,931**
Operating Expenses						
Raw materials consumed	2,92,353	2,72,884	7.1	2,75,567	6.1	2,92,178
Employee Expenses	15,691	13,662	14.9	15,415	1.8	15,667
Other Expenses	56,047	48,953	14.5	49,228	13.9	51,884
Total Expenditure (B)	**3,64,091**	**3,35,499**	**8.5**	**3,40,210**	**7.0**	**3,59,729**
EBITDA (A-B)	**42,647**	**46,850**	**(9.0)**	**44,711**	**(4.6)**	**47,202**
Other Income	14,466	11,180	29.4	9,850	46.9	9,910
Depreciation	8,724	7,290	19.7	8,050	8.4	8,110
EBIT	48,389	50,740	(4.6)	46,511	4.0	49,002
Finance Costs	472	762	(38.1)	484	(2.5)	494
PBT after excep items	47,917	49,978	(4.1)	46,027	4.1	48,508
Tax expense	10,806	11,200	(3.5)	10,769	0.3	11,157
Reported PAT	**37,111**	**38,778**	**(4.3)**	**35,258**	**5.3**	**37,351**
Adjusted PAT	**37,111**	**38,778**	**(4.3)**	**35,258**	**5.3**	**37,351**
EPS (Rs)	122.9	128.4	(4.3)	116.7	5.3	123.7
Key Ratios (%)			**(bps)**		**(bps)**	
Gross Margin	28.1	28.6	(50.7)	28.4	(28.7)	28.2
EBITDA Margin	10.5	12.3	(176.8)	11.6	(113.1)	11.6
EBIT Margin	11.9	13.3	(137.4)	12.1	(18.6)	12.0
PBT Margin	11.8	13.1	(129.1)	12.0	(17.7)	11.9
Tax Rate	22.6	22.4	14.2	23.4	(84.6)	23.0
Adj PAT Margin	9.1	10.1	(101.8)	9.2	(3.6)	9.2

Source: Company, BOBCAPS Research

Valuation methodology

We tweak our FY26E/FY27E EBITDA by -6%/-2% due to a slow demand revival, continued adverse mix in FY26 and tempered by additional cost impact. Our 3Y Revenue/ EBITDA/PAT CAGR is healthy at 10%/13%/11%; gross margin assumptions hover at ~30% with EBITDA margin of ~12% over FY25E-FY27E. We estimate growth outlook backed by MSIL's focus on premiumisation, healthy capex and thrust on EVs (average of 1 EV launch till FY30). Recent revival in rural affordability only augurs well for MSIL.

We maintain BUY as we continue to value MSIL at 25x P/E 1YF earnings (on par with its 10Y average), with a revised TP of Rs 13,899 (Rs 13,806)..

Fig 3 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	16,80,387	18,61,196	18,16,497	20,64,517	(7.5)	(9.8)
EBITDA	2,06,046	2,36,206	2,18,901	2,40,322	(5.9)	(1.7)
Adj PAT	1,59,150	1,78,360	1,58,419	1,74,067	0.5	2.5
Adj EPS (Rs)	506.2	567.3	503.9	553.6	0.5	2.5

Source: BOBCAPS Research

Fig 4 – Key assumptions

Parameter	FY24	FY25E	FY26E	FY27E
Volume (nos)	20,64,472	22,42,089	23,54,194	25,07,216
ASP (Rs)	6,66,465	6,99,789	7,13,784	7,42,336
Revenues (Rs mn)	14,09,326	15,19,001	16,80,387	18,61,196
EBITDA (Rs mn)	1,64,011	1,77,852	2,06,046	2,36,206
Operating margin (%)	11.6	11.7	12.3	12.7
Adjusted Net Profit (Rs mn)	1,32,094	1,39,552	1,59,150	1,78,360
Adjusted EPS (Rs)	420	444	506	567

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	13,899	506	567	16.0	16.0
Mahindra & Mahindra	MM IN	BUY	3,689	127.1	142.5	22.3	20.8

Source: BOBCAPS Research

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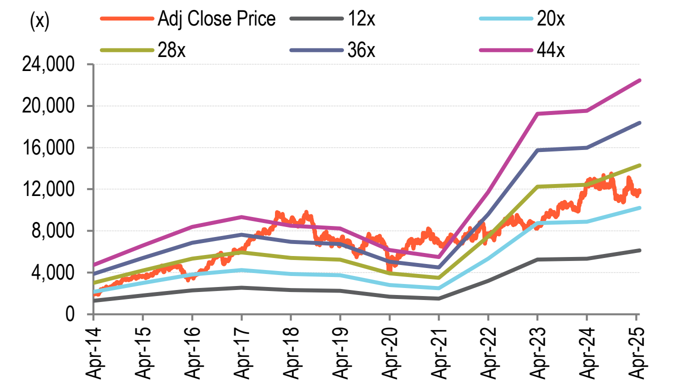
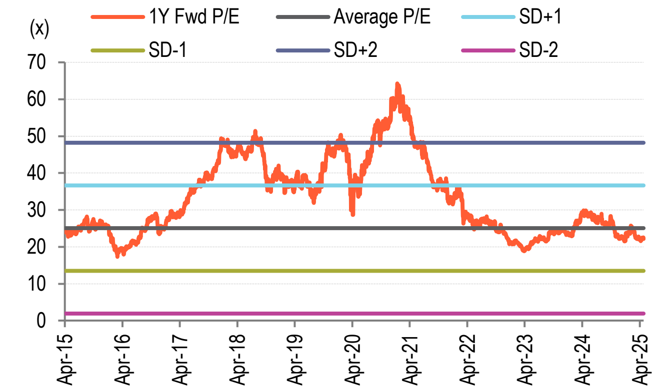
Fig 6 – P/E band: We value MSIL at 25x 1YF EPS



Source: Company, Bloomberg, BOBCAPS Research

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



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- Intense competitive pressure leading to higher discounts/price cuts
- Commodity inflation gaining pace faster than expected
- Delays in model launches in various segments, including CNG and EVs.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	**11,75,229**	**14,09,326**	**15,19,001**	**16,80,387**	**18,61,196**
EBITDA	1,10,077	1,64,011	1,77,852	2,06,046	2,36,206
Depreciation	28,233	30,223	31,593	35,840	40,040
EBIT	1,03,457	1,72,336	1,93,763	2,21,593	2,48,030
Net interest inc./(exp.)	(1,866)	(1,932)	(1,931)	(2,075)	(2,017)
Other inc./(exp.)	21,613	38,548	47,504	51,387	51,864
Exceptional items	0	0	0	0	0
EBT	1,01,591	1,70,404	1,91,832	2,19,518	2,46,013
Income taxes	21,099	38,310	52,280	60,367	67,654
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**	**1,39,552**	**1,59,150**	**1,78,360**
Adjustments	0	0	0	0	0
Adjusted net profit	**80,492**	**1,32,094**	**1,39,552**	**1,59,150**	**1,78,360**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	1,51,982	1,88,798	1,98,993	1,99,308	2,33,421
Other current liabilities	27,163	27,914	53,565	62,544	55,207
Provisions	10,500	13,514	15,683	3,957	4,352
Debt funds	38,322	32,802	34,583	24,715	17,558
Other liabilities	0	0	0	0	0
Equity capital	1,510	1,572	1,572	1,572	1,572
Reserves & surplus	6,02,311	8,38,249	9,34,513	10,50,800	11,76,489
Shareholders' fund	6,03,821	8,39,821	9,36,085	10,52,372	11,78,061
Total liab. and equities	**8,31,788**	**11,02,849**	**12,38,908**	**13,42,896**	**14,88,599**
Cash and cash eq.	377	4,600	4,464	3,366	2,081
Accounts receivables	32,958	46,013	39,225	42,850	47,461
Inventories	42,838	41,196	62,760	68,056	75,378
Other current assets	55,324	65,019	86,181	71,051	76,565
Investments	4,77,564	6,85,137	7,45,063	8,36,063	9,37,063
Net fixed assets	1,78,938	1,87,258	2,27,086	2,51,246	2,71,206
CWIP	28,081	63,034	77,575	75,000	85,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	3,411	1,124	(12,911)	(14,202)	(15,622)
Other assets	12,296	9,467	9,467	9,467	9,467
Total assets	**8,31,787**	**11,02,848**	**12,38,909**	**13,42,896**	**14,88,599**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	**91,473**	**1,43,761**	**1,23,788**	**1,45,305**	**1,74,242**
Capital expenditures	(68,785)	(73,496)	(85,962)	(57,425)	(70,000)
Change in investments	(69,931)	(2,07,573)	(59,926)	(91,000)	(1,01,000)
Other investing cash flows	21,613	38,548	47,504	51,387	51,864
Cash flow from investing	**(1,17,103)**	**(2,42,521)**	**(98,384)**	**(97,038)**	**(1,19,136)**
Equities issued/Others	0	1,28,405	0	0	0
Debt raised/repaid	12,322	(5,520)	1,781	(9,867)	(7,158)
Interest expenses	(1,866)	(1,932)	(1,931)	(2,075)	(2,017)
Dividends paid	(18,125)	(27,187)	(42,444)	(48,386)	(55,160)
Other financing cash flows	(1,384)	2,287	14,035	1,291	1,420
Cash flow from financing	**(9,053)**	**96,053**	**(28,559)**	**(59,037)**	**(62,915)**
Chg in cash & cash eq.	**(34,683)**	**(2,707)**	**(3,155)**	**(10,770)**	**(7,809)**
Closing cash & cash eq.	**377**	**4,600**	**4,464**	**3,366**	**2,081**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	266.5	420.1	443.9	506.2	567.3
Adjusted EPS	266.5	420.1	443.9	506.2	567.3
Dividend per share	60.0	86.5	135.0	153.9	175.4
Book value per share	1,998.9	2,671.2	2,977.4	3,347.2	3,747.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	3.0	2.5	2.3	2.1	1.9
EV/EBITDA	31.7	21.5	20.0	17.1	15.0
Adjusted P/E	43.9	27.8	26.4	23.1	20.6
P/BV	5.9	4.4	3.9	3.5	3.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	79.2	77.5	72.7	72.5	72.5
Interest burden (PBT/EBIT)	98.2	98.9	99.0	99.1	99.2
EBIT margin (EBIT/Revenue)	8.8	12.2	12.8	13.2	13.3
Asset turnover (Rev./Avg TA)	194.4	186.1	164.8	164.1	163.8
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
Adjusted ROAE	14.1	18.3	15.7	16.0	16.0

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	33.1	19.9	7.8	10.6	10.8
EBITDA	93.1	49.0	8.4	15.9	14.6
Adjusted EPS	113.7	57.7	5.6	14.0	12.1
Profitability & Return ratios (%)					
EBITDA margin	9.4	11.6	11.7	12.3	12.7
EBIT margin	8.8	12.2	12.8	13.2	13.3
Adjusted profit margin	6.8	9.4	9.2	9.5	9.6
Adjusted ROAE	14.1	15.7	14.9	15.1	15.1
ROCE	13.5	17.4	15.1	15.4	15.6
Working capital days (days)					
Receivables	8	10	10	9	9
Inventory	12	11	12	14	14
Payables	60	62	65	62	61
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)	(100.3)	(106.8)	(123.0)
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

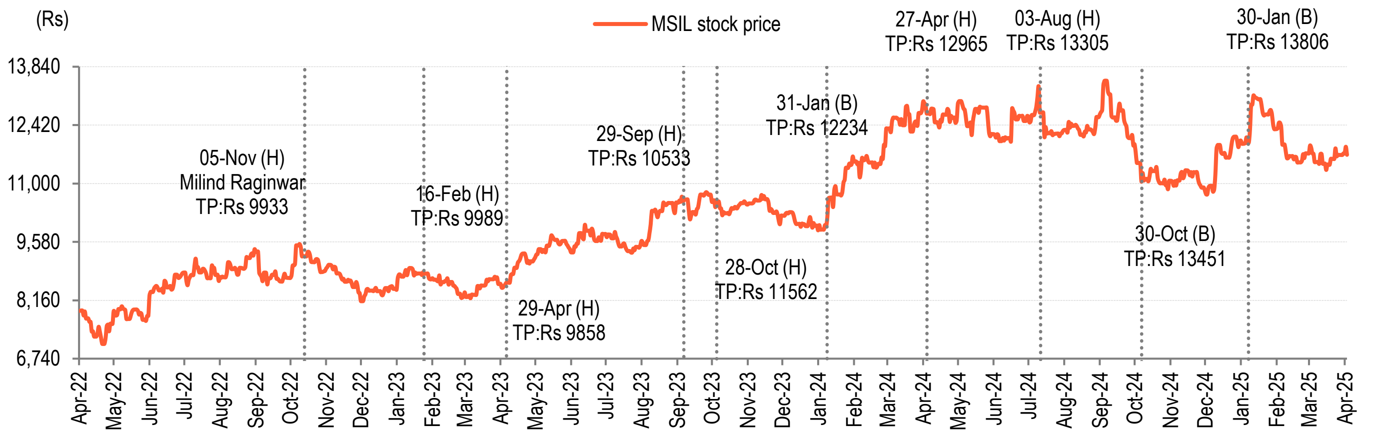
HOLD – Expected return from -6% to +15%

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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