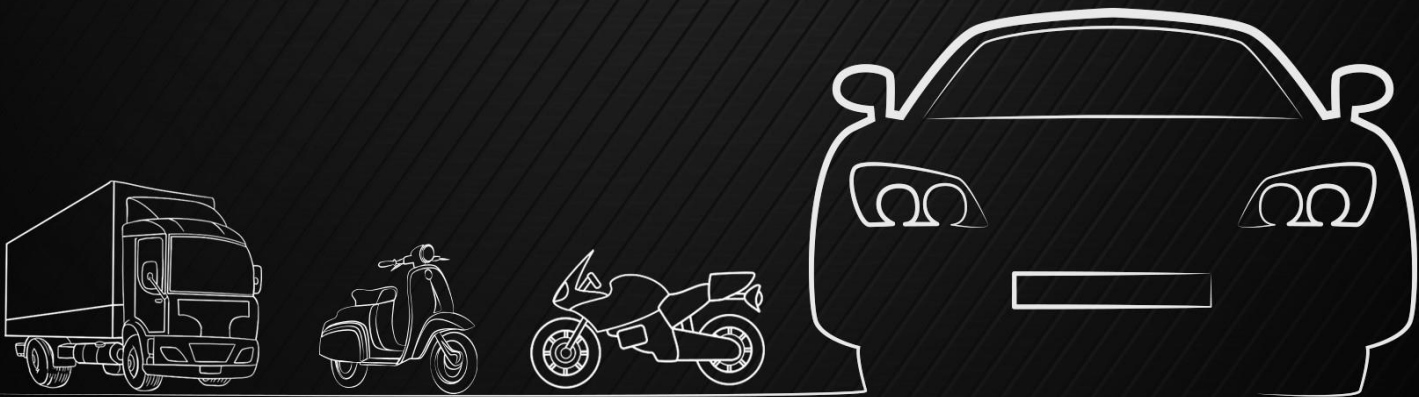


Q2FY25 Maruti Suzuki Ltd.



Maruti Suzuki Ltd.

Export growth drive the performance; near term outlook remain stable compared to H1FY25

CMP* INR 11,046	Target INR 13,407	Potential Upside 21.4%	Market Cap (INR Mn) 35,56,144	Recommendation BUY	Sector Automobile
--------------------	----------------------	---------------------------	----------------------------------	-----------------------	----------------------

Result highlights

- MSIL, sold 541,550 vehicles during Q2FY25, declined by 1.9% YoY (+3.8% QoQ). Revenue for the quarter stood at INR 374,492 Mn, up by 0.3% YoY (+4.7% QoQ), which is in line with our estimates.
- EBITDA was at INR 49,988 Mn, declined by 6.1% YoY (-2.1% QoQ), which is largely in line with our estimates.
- PAT stood at INR 31,025 Mn, declined by 18.1% YoY (-17.5% QoQ), missed our estimate, mainly due to a tax provision of INR 8,376 Mn accounted for the quarter.
- We lower our FY25E/FY26E EPS by ~6.0%/~5.0% respectively, due to subdued domestic demand, rising costs, and deferred tax provisions. However, Improved rural markets are expected to drive hatchback demand, while plans to increase exports and CNG sales, along with hybrid vehicle growth, should enhance long-term margins and market share. **We maintain our P/E multiple at 26.0x on FY26E EPS of INR 515.6 (previously: INR 544.1), resulting in a target price of INR 13,407/share (previously: INR 14,148). With a 21.4% upside potential, we maintain our 'BUY' rating on Maruti Suzuki India Ltd.**

MARKET DATA

Shares O/S (Mn)	314
Mkt Cap (INR Mn)	35,56,144
52 Wk H/L (INR)	13,680/ 9,738
Volume Avg (3m K)	604
Face Value (INR)	5
Bloomberg Code	MSIL IN

KEY FINANCIALS

Particulars (INR Mn)	FY23*	FY24	FY25E	FY26E	FY27E
Revenue from operation	1,184,099	1,418,582	1,544,881	1,724,928	1,952,289
EBITDA	130,944	185,263	190,720	213,316	245,840
PAT	82,637	134,882	141,887	162,116	186,468
EPS (INR)	262.8	429.0	451.3	515.6	593.1
EBITDA Margin	11.1%	13.1%	12.3%	12.4%	12.6%
NPM	7.0%	9.5%	9.2%	9.4%	9.6%

*FY23 P&L restated in Q3FY24, post the acquisition of SMG
Source: Company, KRChoksey Research

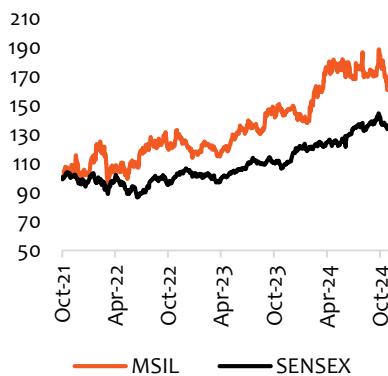
Subdued demand impacted volumes; realization remains positive

- Total revenue for the quarter stood at INR 374,492 Mn, up 0.3% YoY/(+4.7% QoQ), The QoQ growth was driven by volume growth and a higher price realization.
- MSIL sold 541,550 units in Q2FY25 (-1.9% YoY, +3.8% QoQ).
- Total domestic sales stood at 463,834 units (-3.9% YoY, +2.8% QoQ). Exports sales stood at 77,716 units (+12.1% YoY, 10.1% QoQ).
- Despite muted demand in the domestic passenger vehicle market, the company maintained retail sales near last year's levels by introducing limited editions, enhancing customer outreach, and increasing discounts.
- Realization improved by 2.1% YoY (+1.2%QoQ), driven by a better mix of CNG and SUV models, despite higher discounts available.

Commodity prices and one-off items adversely impacted profitably

- Gross margin decreased to 29.2%, reflecting a decline of 126bps YoY (-157bps QoQ), primarily due to adverse commodity prices affecting margin.
- EBITDA for Q2FY25 was at INR 49,988 Mn, declined by 6.0% YoY (-2.1% QoQ).
- EBITDA margin stood at 13.3%, down 89 bps YoY (-92 bps QoQ), led by increased discounts, rising commodity prices, and higher A&P expense.
- PAT for the quarter stood at INR 31,025 Mn, down by 18.1% YoY (-17.5% QoQ), This drop was primarily due to a provision of INR 8,376 Mn in deferred tax liabilities related to the withdrawal of indexation benefits and changes in the tax rate on long-term capital gains from debt mutual funds.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	80,369
NIFTY	24,467

SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	58.2	58.2	58.2
FIIIs	17.7	19.5	19.7
DIIIs	20.8	19.0	19.0
Others	3.4	3.3	3.1
Total	100	100	100

*Based on the previous closing

*Note: All the market data is as of previous closing.

10.3%

Revenue CAGR between FY24
and FY26E

9.6%

PAT CAGR between FY24 and
FY26E

Maruti Suzuki Ltd.

Conference Call Highlights:

- **Festive Season Demand:** Demand during the festive season is strong. Maruti Suzuki is offering discounts and special edition products to attract customers. So far, the company has seen a 14.0% YoY increase in volume compared to the same period last year, and they expect this trend to continue as Diwali approaches. Total retail sales last year were 260K units, and this year, expected retail sales from Shradh till Diwali are around 297K units.
- **Demand Outlook:** Overall industry demand is currently flat. For the full FY25E, Maruti Suzuki expects retail volume growth of 3.0-4.0%, which aligns with the company's growth of 3.9% from April to October 2024. The previous slowdown in demand during July to September has eased due to incentives and festive season activity.
- **Rural vs Urban Markets:** Rural markets are showing positive growth, while urban markets have experienced a decline in volume. Maruti is expanding its network in rural areas to meet the rising demand. The sales mix for SUVs is improving, but small cars are still facing challenges.
- **Inventory and Market Share:** By the end of October 2024, Maruti is confident that their channel inventory will drop below 30 days' worth of sales. They currently hold a 40.0% market share in the passenger vehicle (PV) industry as of Q2FY25. SUV sales continue to rise, now accounting for 54.0% of total sales.
- **Mergers and Acquisitions:** The board has approved the merger of Suzuki Motor Gujarat Private Limited, a wholly-owned subsidiary, with Maruti Suzuki.
- **CNG Vehicles:** In Q2FY25, CNG sales made up one-third of total volumes. The number of CNG fuel pumps is projected to grow from 7,000 to 17,000 by 2030E, along with an increase in available CNG models. Additionally, premium SUV customers are increasingly embracing CNG as a quality fuel, suggesting a positive outlook for CNG sales growth.
- **Hybrid Vehicles:** Some states, like Haryana (25.0% road tax waiver), Chandigarh (50.0%), and others in Rajasthan and Chhattisgarh, are offering incentives for hybrid vehicles. However, not all states have implemented such benefits yet. Maruti plans to take full advantage of these opportunities.
- **Network Expansion:** Maruti Suzuki has opened its 500th NEXA sales outlet, bringing its total sales outlets to 3,925 across approximately 2,600 towns and cities. The company also offers extended warranties for up to six years or 160,000 km.
- **Electric Vehicles (EVs):** Maruti Suzuki plans to launch a new EV in January 2025E, featuring a fresh design, a battery size of around 60 kW, and high specifications. The company also aims to export this EV to developed countries.
- **Deferred Tax Changes:** The company's net profit for the quarter was impacted by an INR. 8,376 Mn withdrawal of indexation benefits due to changes in tax rates on long-term capital gains.
- **Cost Management:** Employee costs decreased slightly, but this was offset by lower other operating income.
- **Royalties and Discounts:** Royalty payments were 3.4% of sales, and the average discount per vehicle was INR 29,300.
- **Long-Term Goals:** Maruti Suzuki currently offers 18 car models and aims to expand this to 28 by the end of 2030E, including 5-6 electric vehicles.
- **Export Revenue:** Revenue from exports reached INR 52.6 Bn.
- **Kharkhoda Plant:** The new plant is on schedule to start production, with hopes to commission it by the end of the current financial year.

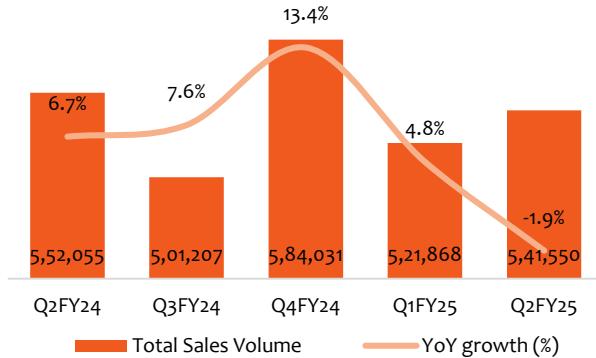
Valuation and view

Maruti Suzuki's Q2FY25 performance reflects flat growth despite challenges from subdued domestic demand and rising costs. The company is strategically positioned for growth, focusing on expanding its product lineup, enhancing customer outreach, and tapping into emerging markets, particularly in rural areas. With strong festive season sales and plans for new EVs and CNG models, Maruti remains well-equipped to navigate current market dynamics and capitalize on future opportunities.

We lower our FY25E/FY26E EPS by ~6.0%/~5.0% respectively, on the back of subdued domestic demand, rising costs, and deferred tax provisions. However, Improved rural markets are expected to drive hatchback demand, while plans to increase exports and CNG sales, along with hybrid vehicle growth, should enhance long-term margins and market share. . We expect Revenue/EBITDA/Adj. PAT to grow at CAGR 10.3%/7.3%/9.6%, respectively, over FY24-FY26E. The stock is currently trading at 24.5x/21.4x our EPS estimate for FY25E/ FY26E, respectively. We maintain our P/E multiple to 26.0x on FY26E EPS of INR 515.6 (previously: INR 544.1) to arrive at a target price of INR 13,407/share (Previously: INR 14,148). Given the 21.4% upside potential, we maintain our 'BUY' rating on the shares of Maruti Suzuki India Ltd.

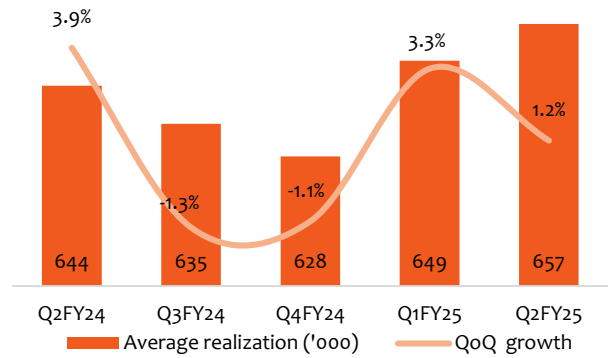
Maruti Suzuki Ltd.

YoY volume declined due to subdued demand



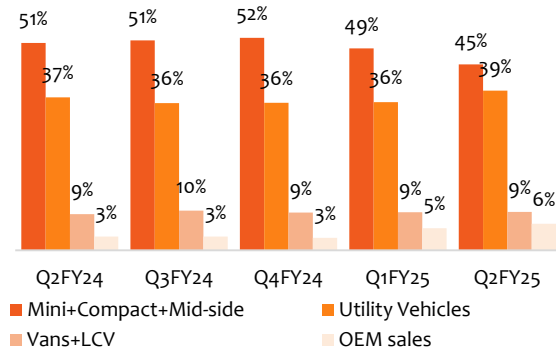
Source: Company, KRChoksey Research

Average Price Realization increased QoQ/ YoY (INR '000)



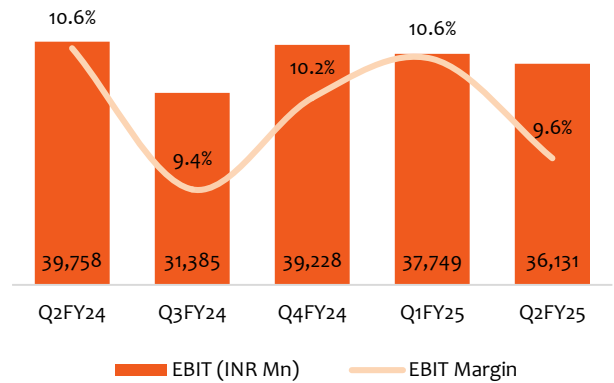
Source: Company, KRChoksey Research

Declined trend of Mini + Compact composition



Source: Company, KRChoksey Research

EBIT margin declined QoQ/YoY due to commodity prices headwind



Source: Company, KRChoksey Research

RESULT SNAPSHOT

Particulars (INR Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
No. Of. Vehicles Sold	541,550	521,868	552,055	3.8%	(1.9%)
Revenues	374,492	357,794	373,393	4.7%	0.3%
Total Expenditure	338,791	320,618	333,986	5.7%	1.4%
Cost of material consumed	217,731	202,472	210,043	7.5%	3.7%
Purchases of stock in trade	49,231	56,047	57,586	(12.2%)	(14.5%)
Change in inventories	(1,928)	(10,904)	(8,068)	(82.3%)	(76.1%)
Employee benefits expense	16,807	17,579	15,204	(4.4%)	10.5%
Other expenses	42,663	41,534	45,451	2.7%	(6.1%)
EBITDA	49,988	51,066	53,177	(2.1%)	(6.0%)
EBITDA Margin (%)	13.3%	14.3%	14.2%	(92 bps)	(89 bps)
Depreciation	13,857	13,317	13,419	4.1%	3.3%
EBIT	36,131	37,749	39,758	(4.3%)	(9.1%)
EBIT Margin (%)	9.6%	10.6%	10.6%	(90 bps)	(100 bps)
Finance cost	430	573	351	(25.0%)	22.5%
Other income	15,232	10,605	8,935	43.6%	70.5%
Pretax Income	50,933	47,781	48,342	6.6%	5.4%
Share of profits of JV/ associates	473	576	580	(17.9%)	(18.4%)
Tax	20,381	10,760	11,062	89.4%	84.2%
Net profit	31,025	37,597	37,860	(17.5%)	(18.1%)
Net Profit Margin (%)	8.3%	10.5%	10.1%	(222 bps)	(185 bps)
Diluted EPS (INR)	98.7	119.6	120.4	(17.5%)	(18.1%)

Source: Company, KRChoksey Research

Maruti Suzuki Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	1,184,099	1,418,582	1,544,881	1,724,928	1,952,289
COGS	854,864	997,409	1,102,751	1,219,377	1,382,579
Gross profit	329,235	421,173	442,130	505,551	569,709
Employee cost	53,085	63,016	71,326	79,638	90,214
Other expenses	145,206	172,894	180,083	212,597	233,656
EBITDA	130,944	185,263	190,720	213,316	245,840
EBITDA Margin	11.1%	13.1%	12.3%	12.4%	12.6%
D&A	48,460	52,558	55,219	62,541	70,664
EBIT	82,484	132,705	135,501	150,775	175,175
Interest expense	2,523	1,936	1,973	1,986	1,986
Other income	22,647	40,935	58,341	57,741	63,195
PBT	104,382	174,245	194,299	209,664	239,932
Tax	21,745	39,363	52,412	47,548	53,464
Share of profit of JV/associates	1,774	2,541	2,430	3,134	3,547
PAT	82,637	134,882	141,887	162,116	186,468
EPS (INR)	262.8	429.0	451.3	515.6	593.1

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	108,146	168,011	209,484	228,737	264,060
CFFI	(88,205)	(118,648)	(127,041)	(125,897)	(135,901)
CFFF	(12,139)	(40,620)	(39,232)	(36,930)	(36,481)
Net Inc/Dec in cash	7,802	8,743	43,211	65,910	91,678
Opening Cash	10,050	17,852	26,595	69,806	135,717
Closing Cash	27,485	28,274	71,485	137,396	229,074

Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	11.1%	13.1%	12.3%	12.4%	12.6%
Tax rate (%)	20.8%	22.6%	27.0%	22.7%	22.3%
Net Profit Margin (%)	7.0%	9.5%	9.2%	9.4%	9.6%
RoE (%)	12.7%	16.8%	15.6%	15.9%	16.1%
RoCE (%)	10.9%	15.5%	14.1%	13.9%	14.2%
EPS (INR)	262.8	429.0	451.3	515.6	593.1
PE	42.0x	25.7x	24.5x	21.4x	18.6x

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	1,572	1,572	1,572	1,572	1,572
Other Equity	744,430	854,788	957,375	1,081,763	1,230,503
Total Equity	746,002	856,360	958,947	1,083,335	1,232,075
Non-Current Liabilities					
DTL	3,210	3,888	3,499	3,149	2,834
Provisions	875	1,448	1,303	1,173	1,056
Other Current Liabilities	26,100	32,294	32,294	32,294	32,294
Total Non-Current Liabilities	30,185	37,630	37,096	36,616	36,184
Current Liabilities					
Borrowings	12,158	331	331	331	331
Provisions	10,830	13,119	13,119	13,119	13,119
Trade Paybles	136,755	169,884	187,826	207,691	235,488
Other current liabilities	67,924	76,206	76,206	76,206	76,206
Total Current Liabilities	227,667	259,540	277,482	297,347	325,144
Total Liabilities	257,852	297,170	314,579	333,963	361,328
Non-Current Assets					
PPE	268,028	267,982	289,136	302,492	317,728
Investments	491,843	533,838	583,838	633,838	683,838
Other current assets	87,291	125,372	125,372	125,372	125,372
Total Non-Current Assets	847,162	927,192	998,346	1,061,702	1,126,938
Current Assets					
Inventories	54,435	53,181	60,425	66,815	75,758
Trade Receivables	32,848	45,968	42,326	47,258	53,487
Investments	0	39,122	39,122	39,122	39,122
Cash and Bank	27,485	28,274	71,485	137,396	229,074
Oher current assets	41,924	59,793	61,823	65,005	69,025
Total Current Assets	156,692	226,338	275,180	355,597	466,465
Total Assets	1,003,854	1,153,530	1,273,526	1,417,298	1,593,403

Maruti Suzuki Ltd.

Maruti Suzuki India Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
30-Oct-24	11,046	13,407	BUY	Buy	More than 15%
06-Aug-24	12,201	14,148	BUY	Accumulate	5% – 15%
30-Apr-24	12,690	14,975	BUY	Hold	0 – 5%
08-Apr-24	12,865	14,975	BUY	Reduce	-5% – 0
05-Feb-24	10,429	12,385	BUY	Sell	Less than – 5%
02-Nov-23	10,304	12,385	BUY		

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH00001295. It is also registered as a Depository Participant with CDSL, CDSL Registration No IN-DP-425-2019.

KRChoksey Shares & Securities Pvt Ltd. and DRChoksey Finserv Private Ltd. (Demerged entity from KRChoksey Shares & Securities Limited) are regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of Research Analysts including preparing and distribution of Research Reports. This research report is prepared and distributed by DRChoksey Finserv Private Ltd in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH00001246. It may be further notified that KRCSSPL carries on the activity of preparation as well as distribution of reports in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000001295.

The information and opinions in this report are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavour to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension follows applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities. KRCSSPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, I, Dipak Saha Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

It is confirmed that, Dipak Saha, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

KRCSSPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

In case of any grievances, please write to grievance@krchoksey.com

Visit us at www.krchoksey.com

KRChoksey Shares and Securities Pvt. Ltd.

CIN-U67120MH1997PTC108958

Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

Phone: 91-22-66535000

Compliance Officer: Varsha Shinde

Email: varsha.shinde@krchoksey.com