

January 30, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	14,154		14,129	
Sales (Rs. m)	16,65,221	18,21,944	16,59,372	18,26,823
% Chng.	0.4	(0.3)		
EBITDA (Rs. m)	2,07,314	2,33,743	2,15,919	2,37,795
% Chng.	(4.0)	(1.7)		
EPS (Rs.)	542.6	605.5	559.1	615.3
% Chng.	(3.0)	(1.6)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	1,409	1,529	1,665	1,822
EBITDA (Rs. bn)	164	186	207	234
Margin (%)	11.6	12.1	12.4	12.8
PAT (Rs. bn)	132	146	171	190
EPS (Rs.)	420.1	465.0	542.6	605.5
Gr. (%)	57.6	10.7	16.7	11.6
DPS (Rs.)	125.0	140.0	160.0	180.0
Yield (%)	1.0	1.2	1.3	1.5
RoE (%)	18.3	16.4	17.0	16.9
RoCE (%)	18.4	17.4	16.9	16.6
EV/Sales (x)	2.2	2.0	1.8	1.6
EV/EBITDA (x)	18.8	16.4	14.4	12.5
PE (x)	28.5	25.8	22.1	19.8
P/BV (x)	4.5	4.0	3.5	3.1

Key Data

MRTI.BO | MSIL IN

52-W High / Low	Rs.13,680 / Rs.9,875
Sensex / Nifty	76,533 / 23,163
Market Cap	Rs.3,766bn / \$ 43,509m
Shares Outstanding	314m
3M Avg. Daily Value	Rs.5492.27m

Shareholding Pattern (%)

Promoter's	58.28
Foreign	15.47
Domestic Institution	22.96
Public & Others	3.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.5	(6.1)	19.9
Relative	12.6	(0.1)	12.7

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Exports and diverse portfolio to drive growth

Quick Pointers:

- Ad spends and discounts impacted margin for the quarter
- Discounts were Rs 31,000/unit vs Rs 29,300/units in Q2FY25

MSIL's Q3FY25 standalone revenue grew by 15.6% YoY, in line with PLe/consensus estimates. The growth in revenue was driven by 13% YoY expansion in its volume and 2.3% rise in its realization. Favourable input cost was offset by sales promotion expenses and ad spends towards new launches leading its gross margin to decline by 68bps YoY to 28.4%. EBITDA increased by 14.4% YoY while margin remained flat at 11.6% and PAT increased by 12.6% YoY.

The sluggish demand trend, specifically for small car segments, shall see industry grow in low single-digit for the next 2 years. However, given its diverse range of product portfolio of CNG/BEV/HEV/ICE, MSIL can be the key beneficiary of state policies towards hybrids and other flex fuel powertrains. Additionally, exports continue to deliver strong volume growth with higher penetration of UVs which are high margin products. Factoring this, we assume its volume grow at a CAGR of 4.2% over FY24-27E translating to a revenue expansion of 8.9% while EBITDA/EPS is assumed to grow at a CAGR of 12.5%/13.2% over the same period. We retain "BUY" rating with a TP of Rs 14,154 (previous Rs 14,129) valuing it at 24x on its Dec'26 earnings.

Revenue in-line while margins stay under pressure: MSIL's Q3FY25 revenue came in at Rs 384.9bn, against PLe: Rs 387.9bn; BBGe: Rs 384.3bn. Gross profit came in at Rs 109.3bn, against PLe: Rs 110.6bn, while margin came in at 28.4%. Gross margin was impacted by 64bps YoY due to ad spends and discounts. EBITDA was Rs 44.7bn (PLe: Rs 46.5bn; BBGe: Rs 45bn) while margin remained flat at 11.6%. PAT was Rs 35.2bn (PLe: Rs 37.2bn; BBGe Rs 36bn).

Healthy growth in domestic and export realization: Domestic volume increased by 8.7% YoY while revenue increased by 11.3% YoY to Rs 319.9bn. Domestic realization increased by 2.3% YoY to Rs 685,066/units, aided by higher penetration of UVs (40.4%) and steady CNG contribution. Exports volume increased by a robust 38.2% YoY and revenue increased by 42.5% YoY to Rs 65bn. Export realization increased by 3.1% YoY to Rs 655,110/unit, aided by better mix and favorable dollar realization. Blended realization increased by 2.3% YoY to Rs 679,817/unit.

Strong outlook for EV business: MSIL unveiled e-Vitara at Bharat Mobility Expo 2025 with a range of ~500km on a single charge. With this product, the company aims to be the leading manufacturer of EVs for domestic market and plans to export in key regions like Japan and Europe. To increase the adoption rate of its EVs, MSIL aims to create electric eco-solutions for customers through its e For Me initiative, offering smart home chargers, installation support, and fast-charging support top 100 cities.

Exhibit 1: Q3FY25 Result Overview (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	Var (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Revenues	3,84,921	3,33,087	15.6	3,87,953	(0.8)	3,72,028	3.5	11,12,263	10,26,977	8.3
Raw Materials	2,75,567	2,36,176	16.7	2,77,386	(0.7)	2,67,459	3.0	7,92,355	7,33,183	8.1
% of Net Sales	71.6	70.9	69 bps	71.5	9 bps	71.9	-30 bps	71.2	71.4	20 bps
Personnel	15,415	13,386	15.2	15,130	1.9	14,688	4.9	45,679	41,122	11.1
% of Net Sales	4.0	4.0	-1 bps	3.9	10 bps	3.9	6 bps	4.1	4.0	0 bps
Manufacturing & Other Exp	49,236	44,446	10.8	48,882	0.7	45,715	7.7	1,40,337	1,35,921	3.2
% of Net Sales	12.8	13.3	-55 bps	12.6	19 bps	12.3	50 bps	12.6	13.2	-44 bps
Total Expenditure	3,40,218	2,94,008	15.7	3,41,399	(0.3)	3,27,862	3.8	9,78,371	9,10,226	7.5
EBITDA	44,703	39,079	14.4	46,554	(4.0)	44,166	1.2	1,33,892	1,16,751	14.7
EBITDA Margin (%)	11.6	11.7	-12 bps	12.0	-39 bps	11.9	-26 bps	12.0	11.4	25 bps
Depreciation	8,050	7,517	7.1	7,743	4.0	7,509	7.2	22,869	22,933	(0.3)
EBIT	36,653	31,562	16.1	38,812	(5.6)	36,657	(0.0)	1,11,023	93,818	18.3
Interest Expenses	484	354	36.7	365	32.7	402	20.4	1,459	1,170	24.7
Non-operating income	9,850	9,330	5.6	9,797	0.5	14,750	(33.2)	34,351	27,778	23.7
PBT	46,019	40,538	13.5	48,244	(4.6)	51,005	(9.8)	1,43,915	1,20,426	19.5
Tax-Total	10,769	9,238	16.6	11,048	(2.5)	20,313	(47.0)	41,474	27,110	53.0
Tax Rate (%) - Total	23.4	22.8	61 bps	22.9	50 bps	39.8	-	28.8	22.5	89 bps
Reported PAT	35,250	31,300	12.6	37,196	(5.2)	30,692	14.9	1,02,441	93,316	9.8
PAT Margin	9.2	9.4	-24 bps	9.6	-43 bps	8.2	91 bps	9.2	9.1	7 bps

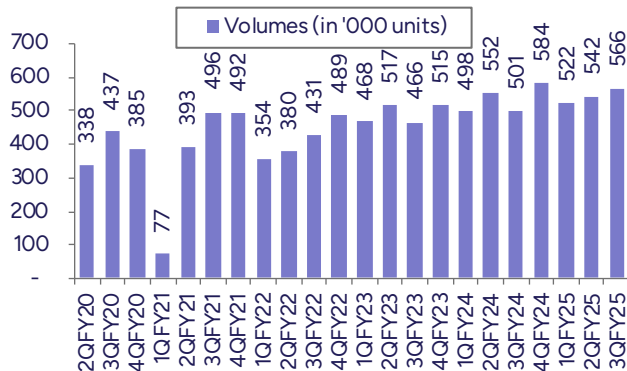
Source: Company, PL

Exhibit 2: Operating Metrics – Higher contribution of UVs leading to realization expansion

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	Var (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Volume (nos)	5,66,213	5,01,207	13.0	5,66,213	-	5,41,550	4.6	16,29,631	15,51,292	5.0
Net Realisation/Vehicle	6,79,817	6,64,570	2.3	6,85,171	(0.8)	6,86,969	(1.0)	6,82,524	6,62,014	3.1
Material cost/vehicle	4,86,684	4,71,214	3.3	4,89,898	(0.7)	4,93,877	(1.5)	4,86,217	4,72,627	2.9
Gross Profit / vehicle	1,93,132	1,93,355	(0.1)	1,95,274	(1.1)	1,93,092	0.0	1,96,307	1,89,387	3.7
Employee cost /vehicle	27,225	26,708	1.9	26,722	1.9	27,122	0.4	28,030	26,508	5.7
Other expenses / vehicle	86,957	88,678	(1.9)	86,332	0.7	84,415	3.0	86,116	87,618	(1.7)
EBITDA/vehicle	78,951	77,970	1.3	82,221	(4.0)	81,555	(3.2)	82,161	75,260	9.2
Net Profit/vehicle	62,256	62,449	(0.3)	65,692	(5.2)	56,674	9.8	62,861	60,154	4.5

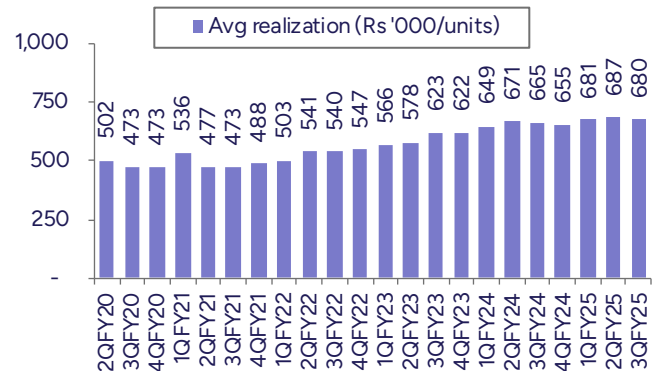
Source: Company, PL

Exhibit 3: UV mix at 40.4% in domestic volume



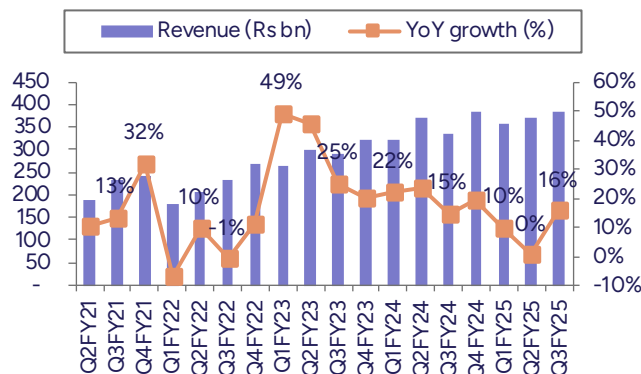
Source: Company, PL

Exhibit 4: Realization up 2.3% YoY despite high discounts



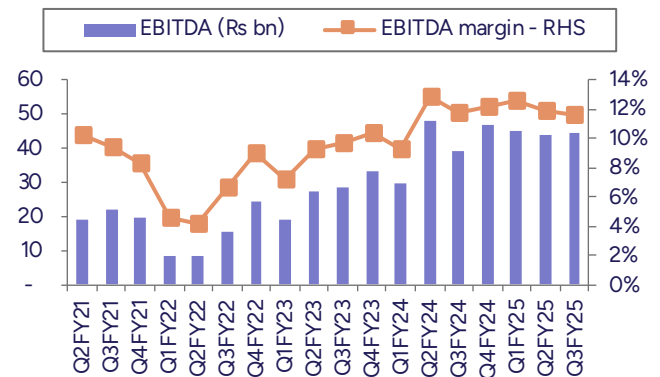
Source: Company, PL

Exhibit 5: Revenue growth led by better mix and healthy volume



Source: Company, PL

Exhibit 6: Rise in input & promotional exp impact margin



Source: Company, PL

Key conference call takeaways:

- Demand remains subdued in the industry as discounts were higher than at Rs 31,000/unit vs Rs 29,300 in Q2FY25.
- The management aims to enter FY26 with light inventory at dealerships due to subdued demand, especially in the small car segment.
- For Q3FY25, the rural region grew by 15% YoY while urban region witnessed modest growth of 2.5% YoY.
- Its domestic dispatches in 9MFY25 grew in mid-single digit and expects a similar growth rate in Q4FY25.
- Exports continue to deliver strong growth, offsetting the pressure in the domestic market to some extent.
- MSIL indicated sales promotion/discounts and ad spends towards new launches impacted margin expansion.
- Strong growth in exports is attributable to traction in LATAM, the Middle East and Africa. With new model launches, MSIL remains optimistic about the growth prospects in the international market.



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	14,09,326	15,28,698	16,65,221	18,21,944
YoY gr. (%)	19.9	8.5	8.9	9.4
Cost of Goods Sold	10,04,179	10,86,941	11,80,682	12,90,892
Gross Profit	4,05,147	4,41,757	4,84,539	5,31,052
Margin (%)	28.7	28.9	29.1	29.1
Employee Cost	54,784	60,384	66,907	72,664
Other Expenses	1,86,352	1,95,673	2,10,317	2,24,646
EBITDA	1,64,011	1,85,699	2,07,314	2,33,743
YoY gr. (%)	49.0	13.2	11.6	12.7
Margin (%)	11.6	12.1	12.4	12.8
Depreciation and Amortization	30,223	30,853	37,304	45,609
EBIT	1,33,788	1,54,846	1,70,010	1,88,134
Margin (%)	9.5	10.1	10.2	10.3
Net Interest	1,932	1,546	1,314	1,340
Other Income	38,548	44,253	51,412	58,832
Profit Before Tax	1,70,404	1,97,553	2,20,108	2,45,625
Margin (%)	12.1	12.9	13.2	13.5
Total Tax	38,310	51,364	49,524	55,266
Effective tax rate (%)	22.5	26.0	22.5	22.5
Profit after tax	1,32,094	1,46,189	1,70,584	1,90,360
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,32,094	1,46,189	1,70,584	1,90,360
YoY gr. (%)	-	-	-	-
Margin (%)	9.4	9.6	10.2	10.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,32,094	1,46,189	1,70,584	1,90,360
YoY gr. (%)	64.1	10.7	16.7	11.6
Margin (%)	9.4	9.6	10.2	10.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	314	314	314	314
EPS (Rs)	420.1	465.0	542.6	605.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	4,51,680	5,51,680	6,51,680	7,51,680
Tangibles	4,51,680	5,51,680	6,51,680	7,51,680
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,66,727	2,97,580	3,34,884	3,80,494
Tangibles	2,66,727	2,97,580	3,34,884	3,80,494
Intangibles	-	-	-	-
Net fixed assets	1,84,953	2,54,100	3,16,796	3,71,186
Tangibles	1,84,953	2,54,100	3,16,796	3,71,186
Intangibles	-	-	-	-
Capital Work In Progress	65,339	75,140	84,157	92,572
Goodwill	-	-	-	-
Non-Current Investments	12,162	18,162	23,162	33,162
Net Deferred tax assets	1,124	1,124	1,124	1,124
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	6,72,975	7,22,975	7,72,975	8,37,975
Inventories	41,196	58,635	61,590	69,883
Trade receivables	46,013	39,788	45,623	49,916
Cash & Bank Balance	4,600	4,542	5,333	7,842
Other Current Assets	53,535	56,212	59,022	61,973
Total Assets	11,01,724	12,52,599	13,91,934	15,48,020
Equity				
Equity Share Capital	1,572	1,572	1,572	1,572
Other Equity	8,38,248	9,40,421	10,60,701	11,94,469
Total Network	8,39,820	9,41,993	10,62,273	11,96,041
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	331	831	1,331	1,831
Trade payables	1,45,824	1,92,658	2,05,301	2,22,127
Other current liabilities	1,16,873	1,18,241	1,24,153	1,29,145
Total Equity & Liabilities	11,01,724	12,52,599	13,91,934	15,48,020

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,70,404	1,97,553	2,20,108	2,45,625
Add. Depreciation	30,223	30,853	37,304	45,609
Add. Interest	1,932	1,546	1,314	1,340
Less Financial Other Income	38,548	44,253	51,412	58,832
Add. Other	(38,548)	(44,253)	(51,412)	(58,832)
Op. profit before WC changes	1,64,011	1,85,699	2,07,314	2,33,743
Net Changes-WC	28,609	32,216	6,725	6,048
Direct tax	(36,023)	(51,364)	(49,524)	(55,266)
Net cash from Op. activities	1,56,597	1,66,551	1,64,514	1,84,525
Capital expenditures	(73,496)	(1,09,801)	(1,09,017)	(1,08,416)
Interest / Dividend Income	-	-	-	-
Others	38,548	38,253	46,412	48,832
Net Cash from Invt. activities	(34,948)	(71,548)	(62,605)	(59,584)
Issue of share cap. / premium	1,43,206	-	-	-
Debt changes	(11,827)	500	500	500
Dividend paid	(39,300)	(44,016)	(50,304)	(56,592)
Interest paid	(1,932)	(1,546)	(1,314)	(1,340)
Others	-	-	-	-
Net cash from Fin. activities	90,147	(45,062)	(51,118)	(57,432)
Net change in cash	2,11,796	49,942	50,792	67,509
Free Cash Flow	83,101	56,750	55,498	76,109

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	3,82,349	3,55,314	3,72,028	3,84,921
YoY gr. (%)	19.3	9.9	0.4	15.6
Raw Material Expenses	2,72,884	2,49,329	2,67,459	2,75,567
Gross Profit	1,09,465	1,05,985	1,04,569	1,09,354
Margin (%)	28.6	29.8	28.1	28.4
EBITDA	46,850	45,023	44,166	44,703
YoY gr. (%)	39.8	50.9	(7.7)	14.4
Margin (%)	12.3	12.7	11.9	11.6
Depreciation / Depletion	7,290	7,310	7,509	8,050
EBIT	39,560	37,713	36,657	36,653
Margin (%)	10.3	10.6	9.9	9.5
Net Interest	762	573	402	484
Other Income	11,180	9,751	14,750	9,850
Profit before Tax	49,978	46,891	51,005	46,019
Margin (%)	13.1	13.2	13.7	12.0
Total Tax	11,200	10,392	20,313	10,769
Effective tax rate (%)	22.4	22.2	39.8	23.4
Profit after Tax	38,778	36,499	30,692	35,250
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	38,778	36,499	30,692	35,250
YoY gr. (%)	47.8	46.9	(17.4)	12.6
Margin (%)	10.1	10.3	8.2	9.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	38,778	36,499	30,692	35,250
YoY gr. (%)	47.8	46.9	(17.4)	12.6
Margin (%)	10.1	10.3	8.2	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	38,778	36,499	30,692	35,250
Avg. Shares O/s (m)	314	314	314	314
EPS (Rs)	123.3	116.1	97.6	112.1

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	420.1	465.0	542.6	605.5
CEPS	516.3	563.1	661.2	750.5
BVPS	2,671.2	2,996.2	3,378.7	3,804.2
FCF	264.3	180.5	176.5	242.1
DPS	125.0	140.0	160.0	180.0
Return Ratio(%)				
RoCE	18.4	17.4	16.9	16.6
ROIC	205.4	69.9	58.6	51.2
RoE	18.3	16.4	17.0	16.9
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.8)	(0.7)	(0.7)
Net Working Capital (Days)	(31)	(36)	(35)	(33)
Valuation(x)				
PER	28.5	25.8	22.1	19.8
P/B	4.5	4.0	3.5	3.1
P/CEPS	23.2	21.3	18.1	16.0
EV/EBITDA	18.8	16.4	14.4	12.5
EV/Sales	2.2	2.0	1.8	1.6
Dividend Yield (%)	1.0	1.2	1.3	1.5

Source: Company Data, PL Research

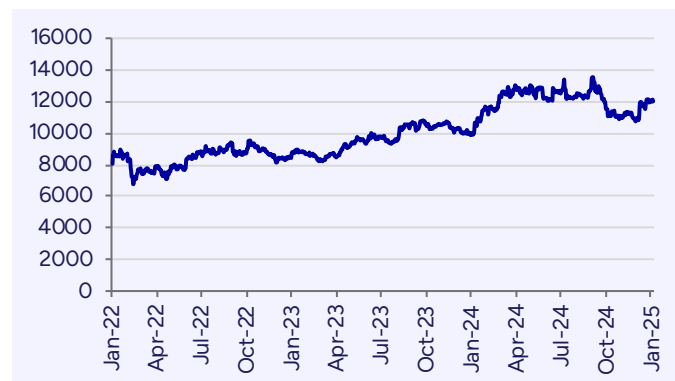
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Volume (units)	21,35,323	22,19,379	23,08,914	24,12,896
Net realisation (Rs/unit)	6,60,006	6,88,795	7,21,214	7,55,086

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	14,129	11,822
2	30-Oct-24	BUY	14,586	11,046
3	07-Oct-24	BUY	15,045	12,528
4	01-Aug-24	BUY	15,145	13,116
5	08-Jul-24	BUY	14,432	12,104
6	27-Apr-24	BUY	14,432	12,703
7	08-Apr-24	BUY	14,350	12,422
8	31-Jan-24	BUY	12,200	10,187

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	243	223
2	Bajaj Auto	BUY	9,853	8,398
3	Bharat Forge	Accumulate	1,435	1,249
4	CEAT	Hold	3,030	3,044
5	Divgi Torqtransfer Systems	Hold	637	585
6	Eicher Motors	Hold	5,332	5,163
7	Endurance Technologies	BUY	2,698	2,100
8	Exide Industries	Hold	350	343
9	Hero Motocorp	Accumulate	4,662	4,138
10	Mahindra & Mahindra	BUY	3,541	3,086
11	Maruti Suzuki	BUY	14,129	11,822
12	Tata Motors	Hold	784	795
13	TVS Motor Company	Hold	2,461	2,336

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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