India I Equities

Auto

Company Update

Change in Estimates ☑ Target ☑ Reco ☐

29 January 2025

Maruti Suzuki

Bright demand outlook, attractive valuation; maintaining a Buy

Rating: **Buy**
Target Price: Rs.14,200
Share Price: Rs.11,978

Broadly in line with our estimate, Maruti Suzuki's Q3 standalone EBITDA grew 14% y/y to Rs44.7bn. Domestic volumes would clock a 6% CAGR over FY25-27 due to higher income levels, rebound of first-time buyers, rural demand, launches and greater support by financiers. Exports would record a stronger 15% volume CAGR on levering Toyota's/ Suzuki's global network, and by portfolio expansion (e-Vitara). We expect healthy 7/13/15/16% volume/revenue/EBITDA/ core PAT growth over FY25-27 driven by domestic and export volume/ realisation growth and by margin expansion. The stock quotes at attractive P/Es of 21x/18x FY26e/27e EPS, much lower than the past (median) 28x. We maintain a Buy with a higher sum-of-parts TP of Rs14,200 (earlier Rs13,800), based on 25x FY27e core EPS (Rs500) and cash of Rs1,714/sh.

EBITDA in line with estimates. Q3 standalone revenue grew 14% y/y to Rs44.7bn, broadly in line with our estimated Rs44.3bn. Volumes grew 12% to 5,63,211 units and realisation, 3% to Rs683,440/unit. EBITDA grew 14% y/y to Rs44.7bn, broadly in line with our estimated Rs44.3bn. The EBITDA margin contracted 10bps y/y, 30bps q/q, to 11.6%. The gross margin contracted 70bps y/y but q/q improved 30bps to 28.4% due to lower input cost (40bps) despite increase in discounts (20bps). Blended discounts were Rs31,000/unit in Q3 vs Rs29,300 in Q2. Other income grew 6% y/y to Rs9.85bn. Accordingly, PAT grew 13% to Rs35.3bn, slightly below our estimated Rs36.9bn, chiefly due to lower-than-expected other income.

Valuation. We expect healthy 13%/15% revenue/EBITDA growth over FY25-27. Our estimates are broadly unchanged. We maintain our Buy, with a higher Rs14,200 TP (earlier Rs13,800). **Key risks:** Slower-than-expected domestic industry volume trends; keener competition; adverse commodity prices/forex rates.

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs bn)	1,175	1,409	1,529	1,747	1,949
Net profit (Rs bn)	80	132	146	183	208
EPS (Rs)	267	420	463	582	660
PE (x)	44.9	28.5	25.9	20.6	18.1
EV / EBITDA (x)	30.2	19.7	16.9	14.1	12.0
PBV (x)	6.2	4.5	4.0	3.5	3.1
RoE (%)	14.1	18.3	16.3	18.2	18.2
RoCE (%)	13.4	17.8	16.9	17.5	17.5
Dividend yield (%)	0.8	1.0	1.2	1.5	1.7
Net debt / equity (x)	-0.7	-0.6	-0.6	-0.6	-0.6

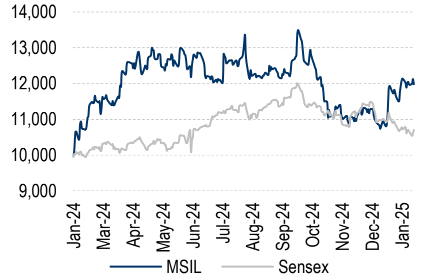
Source: Company, Anand Rathi Research

Key data	MSIL IN / MRTI.BO
52-week high / low	Rs13680 / 9913
Sensex / Nifty	76533 / 23163
3-m average volume	$64m
Market cap	Rs3766bn / $43508.6m
Shares outstanding	314m

Shareholding pattern (%)	Dec'24	Sept'24	Jun'24
Promoters	58.3	58.2	58.2
- *of which, Pledged*	0.0	0.0	0.0
Free float	41.7	41.8	41.8
- Foreign institutions	15.5	17.7	19.0
- Domestic institutions	23.0	20.9	19.5
- Public	3.3	3.2	3.3

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	0.8	2.8	3.3
EBITDA	0.1	2.6	3.1
EPS	-2.4	2.2	2.8

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Volumes (units)	**1.97**	**2.14**	**2.24**	**2.41**	**2.58**
Revenues	**1,175**	**1,409**	**1,529**	**1,747**	**1,949**
Growth (%)	33.1	19.9	8.5	14.3	11.6
Raw material	862	1,006	1,086	1,241	1,385
Employee & other exp.	203	239	254	286	316
EBITDA	**110**	**164**	**188**	**220**	**249**
EBITDA margins (%)	9.4	11.6	12.3	12.6	12.8
- Depreciation	28	30	31	34	37
Other income	22	39	45	51	57
Interest expense	2	2	2	2	2
PBT	102	170	199	235	266
Effective tax rates (%)	20.8	22.5	27.0	22.0	22.0
Adjusted income	80	132	146	183	208
Extraordinary items	-	-	-	-	-
Reported PAT	80	132	146	183	208
WANS	302	314	314	314	314
FDEPS (Rs)	267	420	463	582	660

Fig 2 – Balance sheet (Rs bn)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	1.510	1.572	1.572	1.572	1.572
Net worth	604	840	942	1,070	1,215
Debt (incl. Pref)	12.2	0.3	0.4	0.4	0.5
Minority interest					
DTL / (Assets)	-3.4	-1.1	7.3	7.1	7.0
Capital employed	**613**	**839**	**949**	**1,077**	**1,223**
Net tangible assets	178	185	269	325	378
CWIP (tang. & intang.)	29	65	40	40	40
Investments (strategic)	19	152	152	152	152
Investments (financial)	459	533	588	668	768
Current assets (excl. cash)	143	162	175	200	224
Cash	0	5	5	6	5
Current liabilities	216	263	280	314	344
Working capital	-72	-101	-105	-114	-121
Capital deployed	**613**	**839**	**949**	**1,077**	**1,223**
Contingent liabilities	-	-	-	-	-

Fig 3 – Cash-flow statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	102	170	199	235	266
+ Non-cash items	28	31	33	36	39
Oper. profit before WC changes	130	202	232	271	305
- Incr. / (decr.) in WC	-4	-23	1	2	1
Others incl. taxes	41	73	45	52	59
Operating cash-flow	92	152	186	217	246
- Capex (tangible + intangible)	62	70	90	90	90
Free cash-flow	30	82	96	127	156
- Div. (incl. buyback & taxes)	18	27	39	44	55
+ Equity raised	-	-	-	-	-
+ Debt raised	8.34	-11.83	0.03	0.05	0.05
- Financial investments	18	37	55	80	100
- Misc. items (CFI + CFF)	32	2	2	2	2
Net cash-flow	-30	4	-0	1	-1

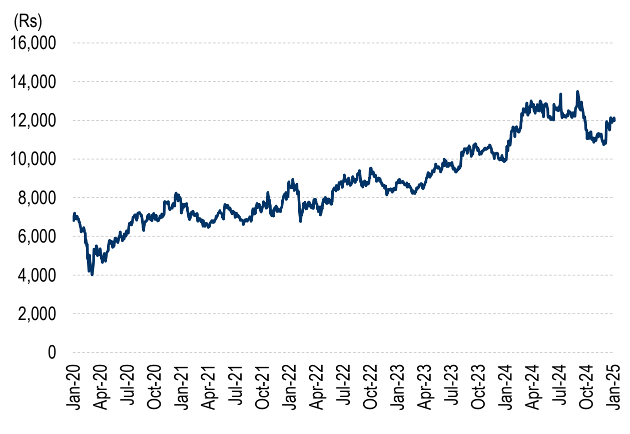
. Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	44.9	28.5	25.9	20.6	18.1
Core P/E (x)	55.5	33.6	27.8	23.0	19.7
EV/EBITDA (x)	30.2	19.7	16.9	14.1	12.0
EV/sales (x)	3.2	2.7	2.5	2.2	1.9
P/B (x)	6.2	4.5	4.0	3.5	3.1
RoE (%)	14.1	18.3	16.3	18.2	18.2
RoCE (%) - After tax	13.4	17.8	16.9	17.5	17.5
RoIC (%) - After tax	51.6	70.7	66.5	61.2	57.8
DPS (Rs per share)	90.0	125.0	138.9	174.7	198.1
Dividend yield (%)	0.8	1.0	1.2	1.5	1.7
Dividend payout (%)	33.8	29.8	30.0	30.0	30.0
Net debt/equity (x)	-0.7	-0.6	-0.6	-0.6	-0.6
Receivables (days)	10	12	12	12	12
Inventory (days)	13	11	11	11	11
Payables (days)	37	38	36	33	31
CFO:PAT (%)	115	115	128	119	118

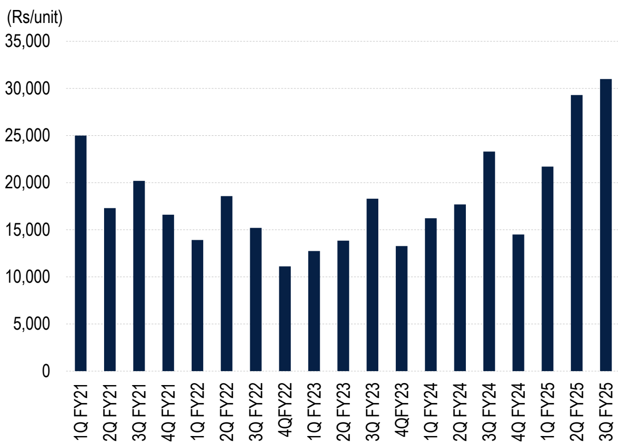
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Blended discounts to ease from Q4FY25



Source: Company, Anand Rathi Research

Concall highlights

- **Domestic demand.** 9M FY25 retails grew 3.5% y/y. Expects similar growth to continue in Q4 FY25. Retails grew 8.3% y/y in Q3 to 573,000 units (rural grew 15%; urban 3%). Inventory was low at nine days at the quarter's end. Hatchback demand subdued in Q3; however, premium hatchback had some growth.
- **EVs.** Expects to be largest EV manufacturer in India in the first year itself (indicating volumes higher than Tata figures) driven by domestic demand, sales to other OEMs and exports (Suzuki/Toyota globally).
- The share of **CNG vehicles** at one of every three domestic volumes in Q3 FY25.
- **New Dzire** pending order-book at >20,000 units.
- ~Rs65bn e**xport** revenue in Q3 with highest volumes of 99,220 units. Key export markets with strong demand: Africa, LATAM, the Mid-East and ASEAN.
- **Margins.** Sales promotion (20bps), higher marketing spend for launches (40bps), adverse yen movement (20bps) and higher depreciation for the Kharkhoda plant (20bps) was partially offset by lower commodity prices (40bps) and operating leverage (30bps).
- Blended **discounts** were Rs31,000/unit in Q3 vs Rs29,300 in Q2. Based on our calculations, discounts in Q3 shrank q/q to ~Rs25,000 (adjusting for the gap in wholesales and retails) despite the festival and year-end season. Blended price hike announced is 0.3% from Feb'25.

Fig 7 – Quarterly performance - standalone

(Rs m)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Y/Y (%)	Q/Q (%)	FY25 YTD	FY24 YTD	YoY(%)
Revenue	**3,33,087**	**3,82,349**	**3,55,314**	**3,72,028**	**3,84,921**	***15.6***	***3.5***	**11,12,263**	**10,26,977**	***8.3***
Expenditure	**2,94,008**	**3,35,499**	**3,10,291**	**3,27,862**	**3,40,218**	***15.7***	***3.8***	**9,78,371**	**9,10,226**	***7.5***
as % of sales	*88.3*	*87.7*	*87.3*	*88.1*	*88.4*			*88.0*	*88.6*	
Consumption of RM	2,36,176	2,72,884	2,49,329	2,67,459	2,75,567	*16.7*	*3.0*	7,92,355	7,33,183	*8.1*
as % of sales	*70.9*	*71.4*	*70.2*	*71.9*	*71.6*			*71.2*	*71.4*	
Employee cost	13,386	13,662	15,576	14,688	15,415	*15.2*	*4.9*	45,679	41,122	*11.1*
as % of sales	*4.0*	*3.6*	*4.4*	*3.9*	*4.0*			*4.1*	*4.0*	
Other expenditure	44,446	48,953	45,386	45,715	49,236	*10.8*	*7.7*	1,40,337	1,35,921	*3.2*
as % of sales	*13.3*	*12.8*	*12.8*	*12.3*	*12.8*		*4.1*	*12.6*	*13.2*	
EBITDA	**39,079**	**46,850**	**45,023**	**44,166**	**44,703**	***14.4***	***1.2***	**1,33,892**	**1,16,751**	***14.7***
EBITDA margins (%)	***11.7***	***12.3***	***12.7***	***11.9***	***11.6***			***12.0***	***11.4***	
Depreciation	7,517	7,290	7,310	7,509	8,050	*7.1*	*7.2*	22,869	22,933	*(0.3)*
EBIT	**31,562**	**39,560**	**37,713**	**36,657**	**36,653**	***16.1***	***(0.0)***	**1,11,023**	**93,818**	***18.3***
Other income	9,330	11,180	9,751	14,750	9,850	*5.6*	*(33.2)*	34,351	27,778	*23.7*
Interest	354	762	573	402	484	*36.7*	*20.4*	1,459	1,170	*24.7*
PBT	**40,538**	**49,978**	**46,891**	**51,005**	**46,019**	***13.5***	***(9.8)***	**1,43,915**	**1,20,426**	***19.5***
Total tax	9,238	11,200	10,392	20,313	10,769	*16.6*	*(47.0)*	41,474	27,110	*53.0*
Adj. PAT	**31,300**	**38,778**	**36,499**	**30,692**	**35,250**	***12.6***	***14.9***	**1,02,441**	**93,316**	***9.8***
Extraordinary items	-	-	-	-	-			-	-	
Reported PAT	**31,300**	**38,778**	**36,499**	**30,692**	**35,250**	***12.6***	***14.9***	**1,02,441**	**93,316**	***9.8***
Adj. EPS (Rs)	**103.6**	**128.4**	**120.9**	**101.6**	**116.7**	***12.6***	***14.9***	**339**	**309**	***9.8***
Margins (%)						**(bps)**	**(bps)**			**(bps)**
Gross	29.1	28.6	29.8	28.1	28.4	*(69)*	*30*	28.8	28.6	*15*
EBITDA	11.7	12.3	12.7	11.9	11.6	*(12)*	*(26)*	12.0	11.4	*67*
EBIT	9.5	10.3	10.6	9.9	9.5	*5*	*(33)*	10.0	9.1	*85*
PAT	9.4	10.1	10.3	8.2	9.2	*(24)*	*91*	9.2	9.1	*12*
Effective tax rates	22.8	22.4	22.2	39.8	23.4	*61*	*(1,642)*	3.7	2.6	*109*

Source: Company

Valuations

Domestic volumes would clock a 6% CAGR over FY25-27 due to higher income levels, rebound of first-time buyers, rural demand, launches and greater support by financiers. **Exports would** record a stronger 15% volume CAGR on levering Toyota's/ Suzuki's global network, and by portfolio expansion (e-Vitara).

EBITDA margins would improve on greater demand and the drop in channel stocks. The EBITDA margin would expand from 12% in 9M FY25 to 12.6/12.8% in FY26/FY27 due to lower discounts and operating leverage. RoE/RoCE (post-tax) would be stable >17% over FY25-27. **Strong, Rs140bn, free-cash flow annually over FY25-27 (a 4% yield).**

Valuation, View. We expect healthy 7/13/15/16% volume/revenue/ EBITDA/core PAT growth over FY25-27, driven by domestic and export volume/realisation growth, and by margin expansion. The stock quotes at attractive P/Es of 21x/18x FY26e/27e EPS, much lower than the past (median) 28x. **We maintain a Buy with a higher sum-of-parts TP of Rs14,200 (earlier Rs13,800), based on 25x FY27e core EPS (Rs500) and cash of Rs1,714/sh.**

Fig 8 – Change in estimates

	Old			New			Change (%)		
(Rs m)	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25	FY26	FY27
Volumes	22,11,956	23,62,629	25,25,674	22,36,128	24,10,644	25,76,977	1.1	2.0	2.0
Revenue	15,16,359	17,00,076	18,87,335	15,28,539	17,47,130	19,49,094	0.8	2.8	3.3
EBITDA	1,87,759	2,14,298	2,41,116	1,87,927	2,19,801	2,48,526	0.1	2.6	3.1
%	12.4	12.6	12.8	12.3	12.6	12.8			
Adj. PAT	1,49,231	1,79,063	2,02,043	1,45,579	1,83,072	2,07,652	-2.4	2.2	2.8
EPS (Rs)	474.7	569.5	642.6	463.0	582.3	660.5	-2.4	2.2	2.8

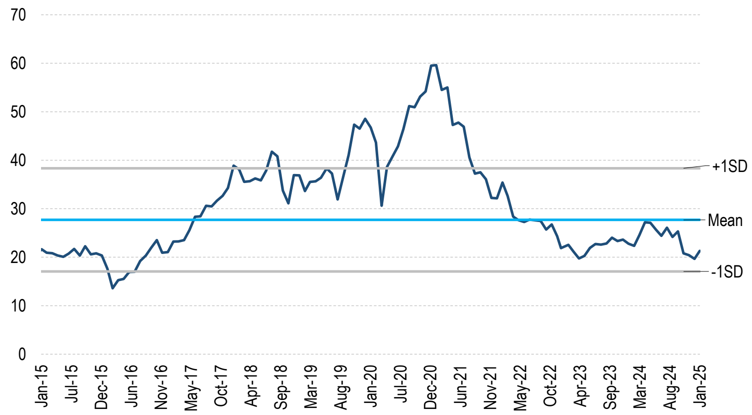
Source: Anand Rathi Research

Fig 9 – Key assumptions – EV and SUV launches to drive higher realizations

Key revenue assumptions	FY23	FY24	FY25e	FY26e	FY27e	CAGR % (FY25-27e)
Volume (units)						
Domestic Passenger Cars	11,49,615	10,33,085	9,49,875	9,74,633	10,02,260	3%
YoY %	*20.4*	*(10.1)*	*(8.1)*	*2.6*	*2.8*	
Domestic Utility Vehicles	3,88,019	6,48,269	7,71,518	8,52,588	9,35,243	10%
YoY %	*22.3*	*67.1*	*19.0*	*10.5*	*9.7*	
Domestic Vans	1,31,191	1,37,139	1,39,882	1,45,477	1,51,296	4%
YoY %	*21.1*	*4.5*	*2.0*	*4.0*	*4.0*	
Domestic LCVs	38,006	33,763	36,505	38,695	41,017	6%
YoY %	*11.0*	*(11.2)*	*8.1*	*6.0*	*6.0*	
Total Domestic	**17,06,831**	**18,52,256**	**18,97,780**	**20,11,393**	**21,29,816**	**6%**
YoY %	*20.7*	*8.5*	*2.5*	*6.0*	*5.9*	
Exports	2,59,333	2,83,067	3,38,348	3,99,251	4,47,161	15%
YoY %	*8.8*	*9.2*	*19.5*	*18.0*	*12.0*	
Total	**19,66,164**	**21,35,323**	**22,36,128**	**24,10,644**	**25,76,977**	**7%**
YoY %	*19.0*	*8.6*	*4.7*	*7.8*	*6.9*	
Realization (Rs/unit)	5,97,727	6,60,006	6,83,565	7,24,757	7,56,349	5%
YoY %	*11.9*	*10.4*	*3.6*	*6.0*	*4.4*	
Revenue (Rs mn)	**11,75,229**	**14,09,326**	**15,28,539**	**17,47,130**	**19,49,094**	**13%**
YoY %	*33.1*	*19.9*	*8.5*	*14.3*	*11.6*	

Source: Anand Rathi Research

Fig 10 – Standard deviation of forward PE (median at 28x)



Source: Bloomberg, Anand Rathi Research

Risks

- Slower-than-expected domestic sector volume trends
- Keener competition
- Adverse movement in commodity prices and currency rates.

Appendix

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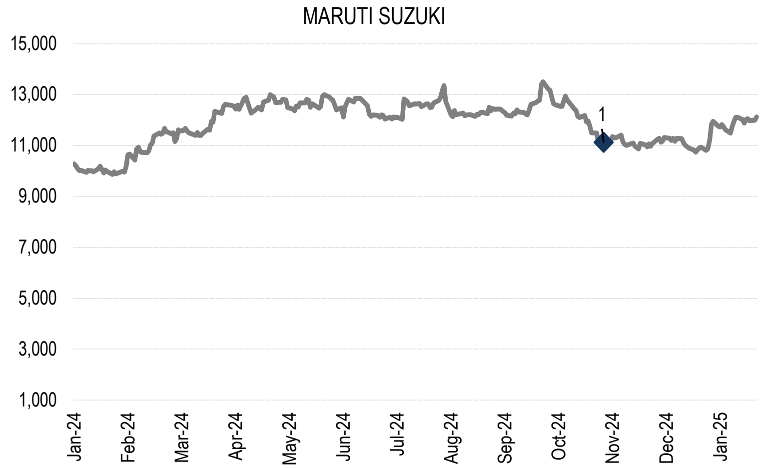
Rating and Target Price History (as of 29 January 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	01-Nov-24	Buy	13,800	11,048

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Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
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