MIRAE ASSET Sharekhan

Maruti Suzuki India Ltd

Decent Q3; Maintain Buy

Automobiles	Sharekhan code: MARUTI
Reco/View: Buy ↔	CMP: Rs. 12,763 / Price Target: Rs. 14,500 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

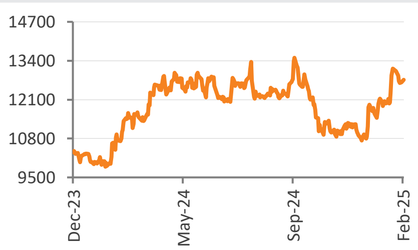
Company details

Market cap:	Rs. 4,01,269 cr
52-week high/low:	Rs. 13,675 / 10,725
NSE volume: (No of shares)	5.1 lakh
BSE code:	532500
NSE code:	MARUTI
Free float: (No of shares)	13.1 cr

Shareholding (%)

Promoters	58.3
FII	15.5
DII	22.9
Others	3.4

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	5.2	15.0	5.0	11.1
Relative to Sensex	0.6	20.5	6.8	12.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Maruti's EBITDA was better than estimates led by beat in margin.
- Retail sales improved and grew 3.5% y-o-y in 9MFY25. Similar growth is expected in Q4.
- Traction in exports, improvement in demand environment and launch of first EV will aid the growth of the company.
- We maintain our Buy rating on the stock with a revised PT of Rs 14,500 with the stabilization of operating performance and hope of success in new launches including EV products. The stock trades at P/E multiple of 22.3x and EV/EBITDA multiple of 15.0x its FY27E estimates.

MSIL's (Maruti Suzuki India Ltd) Q3FY25 performance was decent with revenue inline of estimates, while EBITDA margin beat expectations with q-o-q rise in gross margins. Further, Adj. PAT came almost inline with estimate due to lower other income. Revenue increased by 15.6% y-o-y to Rs 38,492 crore on the back of volume growth of 13% y-o-y while the realization rose by 2.3% y-o-y. EBITDA margin of 11.6% was down 10 bps y-o-y and 30 bps q-o-q. Gross margin was down 70 bps y-o-y but up 30 bps q-o-q and better than estimate. Sales promotion expense was up 20 bps q-o-q, higher advertisement spend for new Dzire and e-Vitara was 40 bps over Q2 while commodity benefit of 40 bps and operating leverage of 30 bps helped the margin. EBITDA of Rs. 4,470 crore was up 14.4% y-o-y. Other income of Rs. 985 crore was down 33.2% y-o-y with 20 bps forex impact due to depreciation of yen. Resultingly, PAT of Rs. 3,525 crore rose by 12.6% y-o-y.

Key positives

- Gross margin was up 30 bps q-o-q.

Key negatives

- Discounts increased to Rs. 31,000 in Q3 vs Rs. 29,300 in Q2.
- Urban retail growth was up only 2.5% y-o-y

Management Commentary

- The rural retail growth was 15% y-o-y while the urban growth was weak at 2.5% y-o-y. The total retail growth was 8.3% in Q3.
- Exports are seeing good growth in Africa, Latin America, Middle East and ASEAN countries. The e-Vitara will be exported to about 100 countries.
- The company's share is nearly 49% of the Indian PV exports.
- Company launched the new Dzire in November which is rated 5 star in safety. It is doing well with 37% of the bookings for the top variants vs 19% in the old model.

Revision in earnings estimates – We have fine-tuned our earnings estimates a little.

Our Call

Valuation – Maintain BUY with a revised PT of Rs. 14,500

The retail sales have picked up during the festive season led by higher discounting but the demand for entry level products is still lagging the demand trends in UV segment. The management is expecting 3-4% growth in retail sales in FY25. Strong performance in exports, improvement in PV demand and launch of first EV will aid the growth of the company. We maintain our Buy rating on the stock with revised PT of Rs 14,500 owing to the stabilization of operating performance, structural upward shift in its product mix and hope of success in new launches including EV products.

Key Risks

- Failure of new launches
- Increase in RM basket can impact margin

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Net sales	1,17,523	1,40,933	1,51,260	1,66,749	1,85,558
Growth (%)	33.1	19.9	7.3	10.2	11.3
EBITDA	11,008	16,401	18,151	19,760	22,453
EBIDTA %	9.4	11.6	12.0	11.9	12.1
Adj. PAT	8,049	13,209	14,651	16,020	17,956
Growth (%)	113.7	64.1	10.9	9.3	12.1
EPS (Rs)	256.0	420.1	466.0	509.5	571.1
P/E (x)	49.9	30.4	27.4	25.0	22.3
P/B (x)	6.6	4.8	4.2	3.8	3.4
EV/EBITDA (x)	32.2	20.3	18.5	17.0	15.0
RoE (%)	14.1	18.3	16.4	15.9	15.9
RoCE (%)	14.2	18.3	16.6	16.0	16.0

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone) Rs cr

Particulars	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Q-o-Q (%)
Revenues	38,492	33,309	15.6	37,203	3.5
Operating Expenses	34,022	29,401	15.7	32,786	3.8
AEBIDTA	4,470	3,908	14.4	4,417	1.2
Depreciation	805	752	7.1	751	7.2
Interest	48	35	36.7	40	20.4
Other Income	985	933	5.6	1,475	(33.2)
APBT	4,602	4,054	13.5	5,101	(9.8)
Tax	1,077	924	16.6	2,031	(47.0)
Adjusted PAT	3,525	3,130	12.6	3,907	(9.8)
AEPS	116.7	99.6	17.2	101.6	14.9

Source: Company; Mirae Asset Sharekhan Research

Key Ratios (Standalone) Rs cr

Particulars	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Q-o-Q (%)
Gross margin (%)	28.4	29.1	-70	28.1	30
EBIDTA margin (%)	11.6	11.7	-10	11.9	-30
Net profit margin (%)	9.2	9.4	-20	10.5	-130
Effective tax rate (%)	23.4	22.8	60	39.8	-1,640

Source: Company; Mirae Asset Sharekhan Research

Volume Analysis Rs cr

Particulars	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Q-o-Q (%)
Volumes (units)	5,66,213	5,01,207	13.0	5,41,550	4.6
Revenue/Vehicle	6,79,817	6,64,570	2.3	6,86,969	(1.0)
RMC/Vehicle	4,86,684	4,71,214	3.3	4,93,877	(1.5)
Gross profit/Vehicle	1,93,132	1,93,355	(0.1)	1,93,092	0.0
EBITDA/Vehicle	78,951	77,970	1.3	81,555	(3.2)
PAT/Vehicle	62,256	62,449	(0.3)	72,141	(13.7)

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook – Expect recovery in PV demand

The PV segment is expected to continue remain strong in medium terms led by structural recovery and demand pull across the segments on preference for personal transport, reflected in strong order book. The continued rise in urbanization and recovery in urban segment would add on the growth prospects in PV segment. Further the shift in PVs from hatchback to SUVs augurs well for the OEMs on rise in value per car. Moreover, good traction in exports will help to maintain strong growth momentum.

Company Outlook – Stable earnings growth from the core business

While MSIL has been maintaining its market leadership position in overall PV market it has been endeavouring to expand its presence in UV segment via new launches. The company has witnessed good revival from rural and semi-urban areas, where MSIL's distribution network and product portfolio fit aptly. The urban demand should also improve gradually. Moreover, Maruti's strong growth in exports and foray in EVs would further help the growth.

Valuation – Maintain BUY with a revised PT of Rs. 14,500

The retail sales have picked up during the festive season led by higher discounting but the demand for entry level products is still lagging the demand trends in UV segment. The management is expecting 3-4% growth in retail sales in FY25. Strong performance in exports, improvement in PV demand and launch of first EV will aid the growth of the company. We maintain our Buy rating on the stock with revised PT of Rs 14,500 owing to the stabilization of operating performance, structural upward shift in its product mix and hope of success in new launches including EV products.

About company

MSIL is India's largest PV car company accounting for ~41% of the domestic car market. Established in 1981 as a joint venture between the Indian government and Suzuki Motor Corporation of Japan, the company revolutionized the Indian automobile landscape by introducing affordable, fuel-efficient vehicles to a market previously dominated by limited choices. Over the decades, Maruti Suzuki has expanded its portfolio to include a diverse range of vehicles across segments - from entry-level hatchbacks like the Alto to premium offerings through NEXA showrooms. With manufacturing facilities in Gurugram, Manesar and in Gujarat, the company produces over 2 million vehicles annually. Maruti Suzuki has consistently prioritized fuel efficiency, value-for-money, and extensive service networks, which has cemented its position as India's most trusted automobile brand.

Investment theme

While MSIL has been maintaining its market leadership position in overall PV market it has been endeavouring to expand its presence in UV segment via new launches. The company has witnessed good revival from rural and semi-urban areas, where MSIL's distribution network and product portfolio fit aptly. The urban demand should also improve gradually. Moreover, Maruti's strong growth in exports and foray in EVs would further help the growth.

Key Risks

- Failure of new launches
- Increase in RM basket can impact margin

Additional Data

Key management personnel

Name	Designation
R C Bhargava	Chairman
Hisashi Takeuchi	Managing Director and CEO
Arnab Roy	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Prudential Asset Management	4.99
2	Life Insurance Corp of India	4.36
3	SBI Funds Management Ltd	2.44
4	HDFC Asset Management Co Ltd	2
5	Vanguard Group Inc/The	1.78
6	Capital Group Cos Inc/The	1.64
7	Blackrock Inc	1.51
8	UTI Asset Management Co Ltd	1.13
9	Kotak Mahindra Asset Management Co	1.12
10	EUROPACIFIC GROWTH FUND	1.01

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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