India I Equities

Auto

Company Update

Change in Estimates ☑ Target ☑ Reco ☐

27 April 2025

Maruti Suzuki

Rating: **Buy**
Target Price: Rs.13,350
Share Price: Rs.11,698

Healthy demand, attractive valuation; maintaining a Buy

Maruti Suzuki's Q4 standalone EBITDA declined 9% y/y to Rs42.6bn, below our estimated Rs49.3bn. Domestic volumes would clock a 5% CAGR over FY25-27 due to higher income levels (income-tax cuts), a rebound in first-time buyers, rural demand, launches and lower finance costs. Exports would record a stronger, 16%, volume CAGR by levering Toyota/Suzuki's global networks and portfolio expansion (e-Vitara). We expect healthy, 7%/12%/15%/18%, volume/revenue/EBITDA/ core PAT growth over FY25-27, driven by domestic and export volume/realisation growth and margin expansion. The stock quotes at attractive P/Es of 21x/19x FY26e/27e EPS, much lower than the past median of 28x. We retain a Buy rating with a lower sum-of-parts TP of Rs13,350 (earlier Rs14,200), 25x FY27e core EPS of Rs465 and cash of Rs1,702/sh.

EBITDA below estimates. Q4 standalone revenue grew 6% y/y to Rs406.7bn, broadly in line with our estimated Rs408.8bn. Volumes grew 4% to 604,635 units and realisation, 3% to Rs672,700/unit. EBITDA declined 9% y/y to Rs42.6bn, below our estimated Rs49.3bn. The EBITDA margin contracted 180bps y/y, 110bps q/q to 10.5%. Factors that impacted margins are adverse manufacturing/admin costs (90bps), greenfield plant expenses (40bps), the product mix (40bps), input prices (20bps) and marketing expenses (20bps); however, the negative impact on margins was partially offset by scale (40bps) and lower discounts (40bps). Other income grew 29% y/y to Rs14.5bn. Depreciation rose 20% y/y to Rs8.7bn (new plant). Accordingly, PAT fell 4% y/y to Rs37bn, slightly below ARe of Rs38.8bn.

Valuation. We expect healthy, 12%/15%, revenue/EBITDA CAGRs over FY25-27. Our FY26-27e is lower by 6%, mainly due to trimming of margins. We retain our Buy rating, with a lower Rs13,350 TP (earlier Rs14,200). **Key risks:** Slower-than-expected domestic industry volume trends, keener competition and adverse commodity prices/forex rates.

Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs bn)	1,175	1,409	1,519	1,707	1,901
Net profit (Rs bn)	80	132	140	172	195
EPS (Rs)	267	420	444	546	622
PE (x)	43.9	27.8	26.4	21.4	18.8
EV / EBITDA (x)	29.4	19.1	17.3	14.6	12.5
PBV (x)	6.1	4.4	3.9	3.5	3.1
RoE (%)	14.1	18.3	15.7	17.2	17.3
RoCE (%)	13.4	17.8	16.2	16.4	16.6
Dividend yield (%)	0.8	1.1	1.2	1.4	1.6
Net debt / equity (x)	-0.7	-0.6	-0.6	-0.6	-0.6

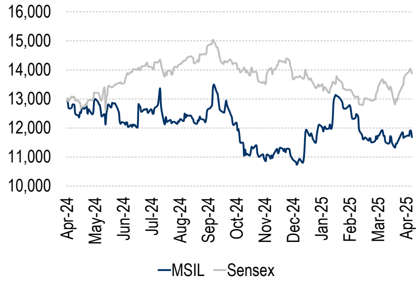
Source: Company, Anand Rathi Research

Key data	MSIL IN / MRTI.BO
52-week high / low	Rs13680 / 10275
Sensex / Nifty	79213 / 24039
Market cap	Rs3676bn
Shares outstanding	314m

Shareholding pattern (%)	Mar'25	Dec'24	Sept'24
Promoters	58.3	58.3	58.2
- *of which, Pledged*	0.0	0.0	0.0
Free float	41.7	41.7	41.8
- Foreign institutions	15.0	15.5	17.7
- Domestic institutions	23.6	23.0	20.9
- Public	3.2	3.3	3.2

Estimates revision (%)	FY26e	FY27e
Sales	-0.6	-1.2
EBITDA	-2.3	-2.5
EPS	-6.2	-5.9

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	FY25	FY26e	FY27e
Volumes (units)	**1.97**	**2.14**	**2.23**	**2.40**	**2.55**
Revenues	**1,175**	**1,409**	**1,519**	**1,707**	**1,901**
Growth (%)	33.1	19.9	7.8	12.4	11.4
Raw material	862	1,006	1,085	1,219	1,357
Employee & other exp.	203	239	256	282	310
EBITDA	**110**	**164**	**178**	**206**	**234**
EBITDA margins (%)	9.4	11.6	11.7	12.1	12.3
- Depreciation	28	30	32	35	37
Other income	22	39	48	51	56
Interest expense	2	2	2	2	2
PBT	102	170	192	220	251
Effective tax rates (%)	20.8	22.5	27.3	22.0	22.0
Adjusted income	80	132	140	172	195
Extraordinary items	-	-	-	-	-
Reported PAT	80	132	140	172	195
WANS	302	314	314	314	314
FDEPS (Rs)	267	420	444	546	622

Fig 2 – Balance sheet (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	1.510	1.572	1.572	1.572	1.572
Net worth	604	840	940	1,061	1,197
Debt (incl. Pref)	12.2	0.3	-	-	-
DTL / (Assets)	-3.4	-1.1	12.9	12.8	12.7
Capital employed	613	839	953	1,073	1,210
Net tangible assets	178	185	247	299	352
CWIP (tang. & intang.)	29	65	58	60	60
Investments (strategic)	19	152	152	152	152
Investments (financial)	459	533	593	653	733
Current assets (excl. cash)	143	162	202	227	253
Cash	0	5	4	16	26
Current liabilities	216	263	303	334	365
Working capital	-72	-101	-101	-107	-113
Capital deployed	613	839	953	1,073	1,210
Contingent liabilities	-	-	-	-	-

Fig 3 – Cash-flow statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
PBT	102	170	192	220	251
+ Non-cash items	28	31	32	37	39
Oper. profit before WC changes	130	202	224	258	290
- Incr. / (decr.) in WC	-4	-23	1	3	1
Others incl. taxes	41	73	83	49	55
Operating cash-flow	92	152	140	206	234
- Capex (tangible + intangible)	62	70	87	90	90
Free cash-flow	30	82	53	116	144
- Div. (incl. buyback & taxes)	18	27	39	42	52
+ Equity raised	-	-	-	-	-
+ Debt raised	8.34	-11.83	-0.33	-	-
- Financial investments	18	37	15	60	80
- Misc. items (CFI + CFF)	32	2	(2)	2	2
Net cash-flow	-30	4	-0	11	10

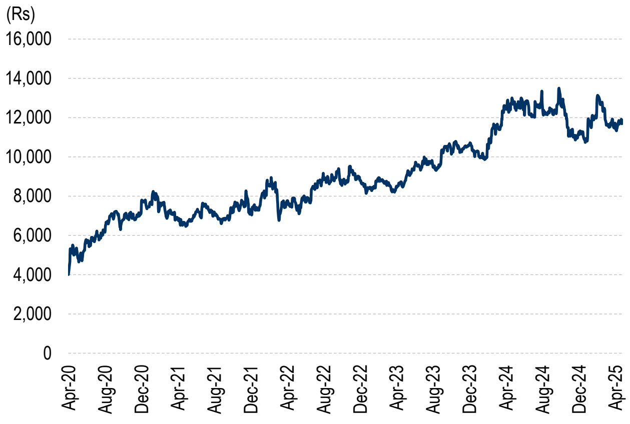
. Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	43.9	27.8	26.4	21.4	18.8
Core P/E (x)	54.1	32.7	28.9	24.3	20.6
EV/EBITDA (x)	29.4	19.1	17.3	14.6	12.5
EV/sales (x)	3.1	2.6	2.4	2.1	1.9
P/B (x)	6.1	4.4	3.9	3.5	3.1
RoE (%)	14.1	18.3	15.7	17.2	17.3
RoCE (%) - After tax	13.4	17.8	16.2	16.4	16.6
RoIC (%) - After tax	51.6	70.7	62.3	56.3	53.6
DPS (Rs per share)	90.0	125.0	135.0	163.9	186.5
Dividend yield (%)	0.8	1.1	1.2	1.4	1.6
Dividend payout (%)	33.8	29.8	30.4	30.0	30.0
Net debt/equity (x)	-0.7	-0.6	-0.6	-0.6	-0.6
Receivables (days)	10	12	16	16	16
Inventory (days)	13	11	12	12	12
Payables (days)	37	38	42	39	37
CFO:PAT (%)	115	115	100	120	120

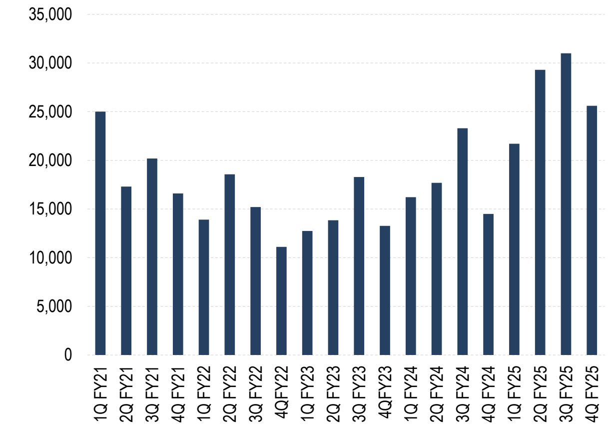
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Blended discounts trends



Source: Company, Anand Rathi Research

Concall highlights

- **Industry.** The domestic industry's volumes are expected to rise 1-2% in FY26, per SIAM. The industry's fuel mix included 18-19% each for CNG and diesel, 2.4% for hybrids and 2.7% for EVs. Rural markets continued to outperform urban demand in Q4 FY25 and FY25.
- **Q4 FY25 retails** grew 4.2% y/y to 400,000 units. Network inventory was healthy at 28 days.
- **FY26 launches** are e Vitara electric SUV and a new ICE SUV.
- **EVs.** e Vitara volume was expected at 70,000 units in FY25, largely export-driven. EVs inherently have lower profitability than ICE vehicles but will leverage exports and economies of scale to mitigate margin pressures. Plants like Kharkhoda are designed to flexibly manufacture EVs, alongside conventional models.
- **Hybrids.** In FY25, hybrid vehicle sales and penetration increased for the company, with stronger adoption in select geographies. Customer response has been positive, and hybrids are part of the company's decarbonization strategy. Management remains optimistic about further hybrid growth, supported by customer interest, industry efforts and the expected policy push.
- **Exports**. The company expects volumes to surge >20% in FY26, led by a healthy order-book and product-market fit in international markets.
- Q/q EBITDA margin:
  - The adverse CNG/SUV mix caused a negative impact of 40bps. SUV's share was lower at 37% vs. 40% and CNG's share was 34% vs. 36%.
  - Kharkhoda plant. A negative impact of 30bps was seen. Commercial production began in Mar'25. From the next quarter, sales and costs would be running parallel. Lines to be fungible for both ICE and EVs. Economies of scale will accrue as sourcing is common for all plants.
  - Commodity. The negative impact of 20bps was due to an increase in steel prices. No direct impact from safeguard duties was seen due to higher import price thresholds and 85-90% localization.
  - Advertisement. The negative impact of 30bps was due to Bharat Mobility show, e-Vitara's unveiling and IPL sponsorships.
  - Other expenses. A negative 90bp impact was seen. Other expenses increased due to lumpiness/seasonality spends comprising CSR, R&D, repair & maintenance and digitalization.
  - Sales promotion/operating leverage. The adverse expenses were offset by sales promotion being lower by 40bps and operating leverage by 40bps.
- **Forex.** A positive impact of 20bps (largely from hedging gains) was booked under non-operating income.
- **The EBITDA margin** is expected to inch up as the new Kharkhoda plant ramps up and sales improve across higher-margin segments.

- **Price hikes** were implemented in Feb/Apr'25. The purpose was to offset rising costs, including regulatory compliance (e.g., six airbags). Regulatory costs are pass-throughs and will continue.
- **CAFE III norms** are under discussion with the government (the Ministry of Power and Bureau of Energy Efficiency) and the policy is expected to be finalized in 1-2 months.
- **Subsidiary (SMG).** PAT stood at Rs1.5bn, including interest income of Rs0.65bn and some tax gain reversals.
- **Capex** is expected at Rs80bn-90bn for FY26, including SMG.

Fig 7 – Quarterly performance - standalone

(Rs m)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Y/Y (%)	Q/Q (%)
Revenue	**382,349**	**355,314**	**372,028**	**384,921**	**406,738**	**6.4**	**5.7**
Expenditure	**335,499**	**310,291**	**327,862**	**340,218**	**364,091**	**8.5**	**7.0**
as % of sales	87.7	87.3	88.1	88.4	89.5		
Consumption of RM	272,884	249,329	267,459	275,567	292,353	7.1	6.1
as % of sales	71.4	70.2	71.9	71.6	71.9		
Employee cost	13,662	15,576	14,688	15,415	15,691	14.9	1.8
as % of sales	3.6	4.4	3.9	4.0	3.9		
Other expenditure	48,953	45,386	45,715	49,236	56,047	14.5	13.8
as % of sales	12.8	12.8	12.3	12.8	13.8		7.7
EBITDA	**46,850**	**45,023**	**44,166**	**44,703**	**42,647**	**(9.0)**	**(4.6)**
EBITDA margins (%)	**12.3**	**12.7**	**11.9**	**11.6**	**10.5**		
Depreciation	7,290	7,310	7,509	8,050	8,724	19.7	8.4
EBIT	**39,560**	**37,713**	**36,657**	**36,653**	**33,923**	**(14.2)**	**(7.4)**
Other income	11,180	9,751	14,750	9,850	14,466	29.4	46.9
Interest	762	573	402	484	472	(38.1)	(2.5)
PBT	**49,978**	**46,891**	**51,005**	**46,019**	**47,917**	**(4.1)**	**4.1**
Total tax	11,200	10,392	20,313	10,769	10,806	(3.5)	0.3
Adj. PAT	**38,778**	**36,499**	**30,692**	**35,250**	**37,111**	**(4.3)**	**5.3**
Extraordinary items	**-**	**-**	**-**	**-**	**-**		
Reported PAT	**38,778**	**36,499**	**30,692**	**35,250**	**37,111**	**(4.3)**	**5.3**
Adj. EPS (Rs)	**128.4**	**120.9**	**101.6**	**116.7**	**122.9**	**(4.3)**	**5.3**
Margins (%)						**(bps)**	**(bps)**
Gross	28.6	29.8	28.1	28.4	28.1	(51)	(29)
EBITDA	12.3	12.7	11.9	11.6	10.5	(177)	(113)
EBIT	10.3	10.6	9.9	9.5	8.3	(201)	(118)
PAT	10.1	10.3	8.2	9.2	9.1	(102)	(3)
Effective tax rates	22.4	22.2	39.8	23.4	22.6	14	(85)

Source: Company

Valuations

Domestic volumes would clock a 5% CAGR over FY25-27 due to higher income levels (income-tax cuts), a rebound in first-time buyers, rural demand, launches and lower finance costs. **Exports would** record a stronger, 16%, volume CAGR by levering Toyota/Suzuki's global networks and portfolio expansion (e-Vitara).

The EBITDA margin would improve on greater scale, expanding from 11.7% in FY25 to 12.1%/12.3% in FY26/27 due to operating leverage. RoIC (post-tax) would be >50% during FY25-27. **Strong, Rs130bn, free-cash flows p.a. are expected over FY25-27 (a 4% yield).**

Valuation, View. We expect healthy 7%/12%/15%/18% volume/revenue/ EBITDA/core PAT growth over FY25-27, driven by domestic and export volume/realisation growth and margin expansion. The stock quotes at attractive P/Es of 21x/19x FY26e/27e EPS, much lower than the past median of 28x. **We maintain a Buy with a lower sum-of-parts TP of Rs13,350 (earlier Rs14,200), 25x FY27e core EPS of Rs465 and cash of Rs1,702/sh.**

Fig 8 – Change in estimates

	Old		New		Change (%)	
(Rs m)	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Volumes	2,410,644	2,576,977	2,397,350	2,546,513	-0.6%	-1.2%
Revenue	1,747,130	1,949,094	1,706,979	1,900,857	-2.3%	-2.5%
EBITDA	219,801	248,526	206,263	234,105	-6.2%	-5.8%
%	12.6%	12.8%	12.1%	12.3%		
Adj. PAT	183,072	207,652	171,745	195,423	-6.2%	-5.9%
EPS (Rs)	582.3	660.5	546.3	621.6	-6.2%	-5.9%

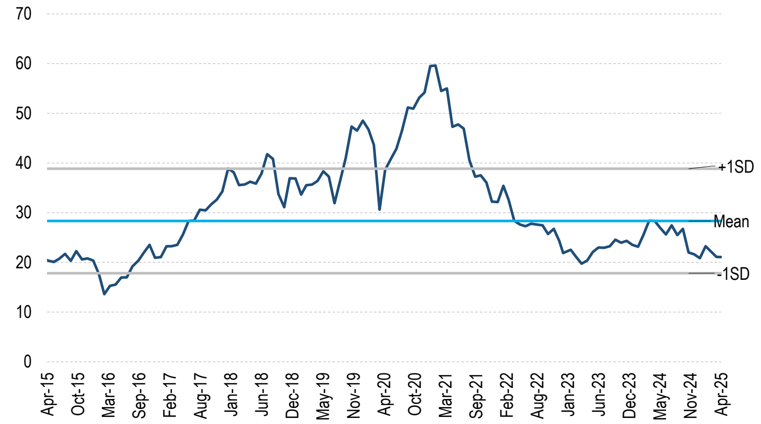
Source: Anand Rathi Research

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

Key revenue assumptions	FY23	FY24	FY25	FY26e	FY27e	CAGR % (FY25-27e)
Volume (units)						
Domestic Passenger Cars	1,149,615	1,033,085	957,075	981,940	1,007,475	3%
YoY %	20.4	(10.1)	(7.4)	2.6	2.6	
Domestic Utility Vehicles	388,019	648,269	774,442	839,337	908,688	8%
YoY %	22.3	67.1	19.5	8.4	8.3	
Domestic Vans	131,191	137,139	135,672	141,099	145,332	3%
YoY %	21.1	4.5	(1.1)	4.0	3.0	
Domestic LCVs	38,006	33,763	34,492	35,872	38,024	5%
YoY %	11.0	(11.2)	2.2	4.0	6.0	
Total Domestic	**1,706,831**	**1,852,256**	**1,901,681**	**1,998,248**	**2,099,518**	**5%**
YoY %	20.7	8.5	2.7	5.1	5.1	
Exports	259,333	283,067	332,585	399,102	446,994	16%
YoY %	8.8	9.2	17.5	20.0	12.0	
Total	**1,966,164**	**2,135,323**	**2,234,266**	**2,397,350**	**2,546,513**	**7%**
YoY %	19.0	8.6	4.6	7.3	6.2	
Realization (Rs/unit)	**597,727**	**660,006**	**679,866**	**712,028**	**746,455**	**5%**
YoY %	11.9	10.4	3.0	4.7	4.8	
Revenue (Rs mn)	**1,175,229**	**1,409,326**	**1,519,001**	**1,706,979**	**1,900,857**	**12%**
YoY %	33.1	19.9	7.8	12.4	11.4	

Source: Anand Rathi Research

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



Source: Bloomberg, Anand Rathi Research

Risks

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

Appendix

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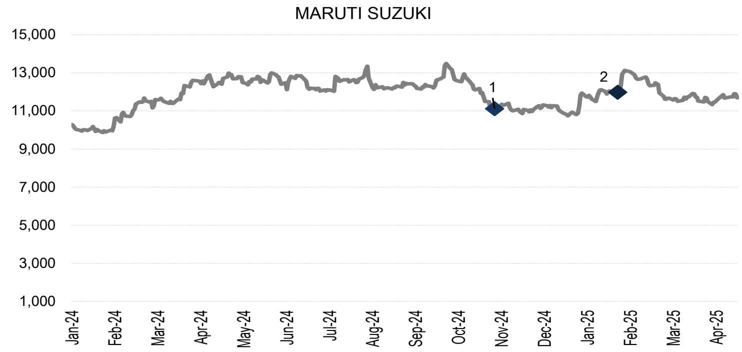
Rating and Target Price History (as of 27 April 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	1-Nov-24	Buy	13,800	11,048
2	29-Jan-25	Buy	14,200	11,978

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