

Maruti Suzuki

E Vitara price point key to watch for!!

Valuation and View – CNG to help drive industry outperformance

MSIL's 3QFY25 results were steady and in-line as gross margins came in-line at 28.4% (-70bp YoY/ +30bp QoQ). However, against topline growth of ~3.5% QoQ, EBITDA growth was flat at ~1% at Rs44.7b (est ~Rs47.5b) led by; 1) ~40bp drag due to higher A&P, 2) ~40bp RM impact, 3) increased discounts (on wholesales) at ~Rs31k/unit (vs Rs29.3k/unit in 2Q and ~Rs21.7k/unit in 1QFY25) at ~4.6% of ASP. This led EBITDA/vehicle came off-peak at ~Rs79k/unit (+1% YoY/-3.2% QoQ). Going ahead, increase in share of CNG, peak average discounts led by optimal inventory, stable RM and favorable mix are the positive margins triggers as volumes are likely to be stable led by industry growth dynamics. MSIL would likely outperform the industry led by strong CNG portfolio with ~33% contribution (vs ~33% in 2QFY25 and 1QFY25, ~26.9% in 4QFY24 vs 30.2% in 3QFY24).

We believe going forward, despite volume growth is expected to moderate, MSIL margins to likely to expand to ~12.4% (vs ~12% in 9MFY25). This will be led by, i) favorable mix, ii) moderate to stable RM inflation and iii) peak average discounts. Consequently, we build in revenue/EBITDA/PAT CAGR of 10.4%/12.8%/13% over FY24-27E. Led by decent valuations comfort and risk reward turning favorable, we have maintained the BUY with revised TP of Rs14,094 (vs Rs13,485) valuing the stock at 24x Mar-27 EPS. We increase FY26E/27E EPS by ~3-6% to factor in for favorable product mix and +fx. We prefer MM, HYUNDAI, EIM and TVSL over MSIL among our coverage OEMs.

Result Highlights – Higher A&P, RM dent margins

- Revenues grew 15.6% YoY (+3.5% QoQ) at ~Rs384.9b (est Rs389.4b) led by 2.3% YoY (-1% QoQ) growth in ASPs at Rs679.8k/unit (est Rs687.7k/unit) while volumes grew 13% YoY (+4.6% QoQ) at 566.3k units. Average discounts highest at ~Rs30.9k/unit (vs Rs29.3k/unit in 2QFY25, ~Rs21.7k/unit in 1QFY25). Discount as % of ASP increased to 4.6% (+110+bp YoY/ +30bp QoQ).
- Gross margins contracted 70bp YoY (+30bp QoQ) at 28.4 (est 28.6%), impacted by higher A&P spend (~40bp QOQ), sales promotion & discounts (~20bps), Forex (-20bp), RM (-40bp) and favorable operating leverage (+20bp).
- Hence, EBITDA grew ~14.4% YoY (+1.2% QoQ) at ~Rs44.7b (est Rs47.5b) with margins remained flat YoY (-30bp QoQ) at 11.6% (est 12%, cons 11.7%).
- Other income at ~Rs9.8b (est Rs9.7b, +5.6% YoY) and steady operating performance, led Adj. PAT came in at ~Rs35.5b (est Rs36.1b, +12.6% YoY).
- 9MFY25 revenue/EBITDA and Adj.PAT grew 8.3%/+14.7% and 9.8% at Rs1112.3b, Rs133.9b and Rs102.4b, respectively.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	384,921	389,360	384,355	-1.1	0.1	Higher A&P, RM inflation dent margins.
EBITDA	44,703	47,532	44,973	-6.0	-0.6	
EBITDA margins %	11.6	12.2	11.7	-60bp	-10bp	
Adj PAT	35,250	38,147	36,037	-7.6	-2.2	

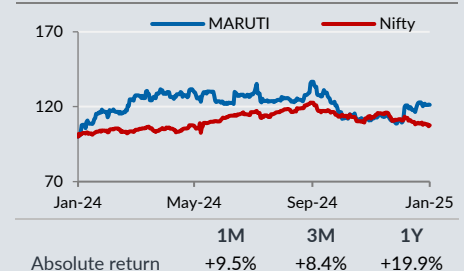
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 11,974
Target Price	: Rs 14,094
Return	: +17.7%

Stock data (as on Jan 29, 2025)

Nifty	23,163
52 Week h/l (Rs)	13,680 / 9,875
Market cap (Rs/USD mn)	38,11,738 / 44,042
Outstanding Shares (mn)	314
6m Avg t/o (Rs mn):	6,568
Div yield (%)	1.1
Bloomberg code:	MSIL IN
NSE code:	MARUTI

Stock performance



Shareholding pattern (As of Dec'24 end)

Promoter	58.2%
FII+DII	38.5%
Others	3.3%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	14,094	13,485

Δ in earnings estimates

	FY26E	FY27E
EPS (New)	552.9	577.6
EPS (Old)	518.9	561.9
% change	+6.6%	+2.8%

Financial Summary

Y/E MAR (Rs b)	FY25E	FY26E	FY27E
Sales	1,541	1,745	1,896
EBITDA	181	212	224
Adj. PAT	140	174	182
EPS	444	553	578
EPS Gr. (%)	5.6	24.6	4.5
BV/Sh.	2,985	3,398	3,835
RoE (%)	14.9	16.3	15.1
RoCE (%)	16.8	17.9	16.5
Payout (%)	29.3	25.3	24.2
P/E (x)	27.0	21.7	20.7
P/BV (x)	4.0	3.5	3.1
EV/EBITDA (x)	16.7	14.0	13.0
Div Yield (%)	1.1	1.2	1.2

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Exhibit 2: Quarterly snapshot

Y/e Mar (Rs m)	Q3FY25	Q3FY24	YoY chg (%)	Q2FY25	9MFY25	9MFY24	YoY chg (%)
Net Revenues	384,921	333,087	15.6	372,028	1,112,263	1,026,977	8.3
Raw Materials	275,567	236,176	16.7	267,459	792,355	733,183	8.1
% of Net Sales	71.6%	70.9%		71.9%	71.2%	71.4%	
Personnel	15,415	13,386	15.2	14,688	45,679	41,122	11.1
% of Net Sales	4.0%	4.0%		3.9%	4.1%	4.0%	
Manufacturing & Other Exp	49,236	44,446	10.8	45,715	140,337	135,921	3.2
% of Net Sales	12.8%	13.3%		12.3%	12.6%	13.2%	
Total Expenditure	340,218	294,008	15.7	327,862	978,371	910,226	7.5
EBITDA	44,703	39,079	14.4	44,166	133,892	116,751	14.7
EBITDA Margin (%)	11.6%	11.7%		11.9%	12.0%	11.4%	
Depreciation	8,050	7,517	7.1	7,509	22,869	22,933	(0.3)
EBIT	36,653	31,562	16.1	36,657	111,023	93,818	18.3
Interest Expenses	484	354	36.7	402	1,459	1,170	24.7
Non-operating income	9,850	9,330	5.6	14,750	34,351	27,778	23.7
PBT	46,019	40,538	13.5	51,005	143,915	120,426	19.5
Tax-Total	10,769	9,238	16.6	20,313	41,474	27,110	53.0
Tax Rate (%) - Total	23.4%	22.8%		39.8%	28.8%	22.5%	
Reported PAT	35,250	31,300	12.6	30,692	102,441	93,316	9.8
Adj. PAT	35,250	31,300	12.6	30,692	102,441	93,316	9.8
PAT Margin	9.2%	9.4%		8.2%	9.2%	9.1%	
Key Operating Metrics							
Sales Volume (nos)	566,213	501,207	13.0	541,550	1,629,631	1,551,292	5.0
Net Realisation/Vehicle	679,817	664,570	2.3	686,969	682,524	662,014	3.1
Material cost / vehicle	486,684	471,214	3.3	493,877	486,217	472,627	2.9
Gross Profit / vehicle	193,132	193,355	(0.1)	193,092	196,307	189,387	3.7
Employee cost /vehicle	27,225	26,708	1.9	27,122	28,030	26,508	5.7
Other expenses / vehicle	86,957	88,678	(1.9)	84,415	86,116	87,618	(1.7)
EBITDA/vehicle	78,951	77,970	1.3	81,555	82,161	75,260	9.2
Net Profit/vehicle	62,256	62,449	(0.3)	56,674	62,861	60,154	4.5

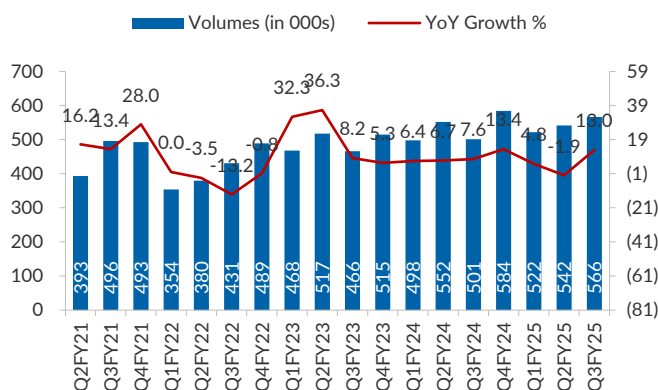
Source- Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Demand for PVs improved in 3Q with highest ever retails** led by festive, new launches (Dzire), customer reach programs and discounts.
 - Retails sales were highest in 3QFY25 with growth of 8.5% YoY. 9MFY25 retails grew at ~3.5% with channel stock of ~9 days. 3QFY25 retails at ~570k units.
 - Rural continues to do better than urban. Rural volumes grew ~15% in retail vs urban grew 2.5%.
 - **Expect retail sales to continue its growth at 3.5% even in 4QFY25 as well.**
- **Margins impact – Average discount at ~Rs30,999 in 3QFY25 (vs Rs29,300 in 2QFY25).**
 - Sales promotion/discount impact of 20bp QoQ (vs 70bp impact called in 2Q).
 - New model launch A&P spends impact of -40bp,
 - Forex impact of -20bp (vs +60bp called out in 2Q),
 - RM impact of -40bp (vs ~50bp called in 2Q)
 - Operating leverage +20bp (vs +30-40bp called in 2Q).
- **CNG share** in overall domestic volumes at ~33% for MSIL (vs ~33% in 2QFY25 and 1QFY25, ~26.9% in 4QFY24 vs 30.2% in 3QFY24).
- **Exports - MSIL export market share at ~49% in 3QFY25**
 - Exports revenues for 3QFY25 at ~Rs65b (vs Rs52.61b in 2QFY25).
 - Growth is well spread out across regions like Africa, LATAM, ME and ASIAN.
 - Getting good customer response in LATAM led by dealership network, financing, new launches, customer handling initiatives.
 - **Will look at markets like Japan and Indonesia** to maximize volumes.
- **Price hikes –** Have announced price hike of ~30bp on net sales recently.
- **E Vitara – Positioning is premium and will be retailed through NEXA**
 - MSIL will be exclusive manufacturer for the world and the product to be exported to ~100 countries.
 - Production to begin soon and MSIL expect to be large EV manufacturer.
 - Have done high voltage service training for mechanics.
 - **Battery will be imported for initial volumes** and will see for localization progressively.
- **E for me initiative –** goal is to create electric ecosystem for customer by providing fast charging network in first 100 cities (phase 1). Preparing 1,500 EV enabled workshops covering 1k cities. Co to provide roadside assistance on call pan India.
- **New Dzire –** seeing step in the bookings and doing more volumes (vs outgoing variant) with ~20k pending bookings. **Top trims ZXI and ZXI+ share in the bookings is ~37% now (vs 18% earlier).**
- Kharkhoda plant SOP expected in 4QFY25 itself.

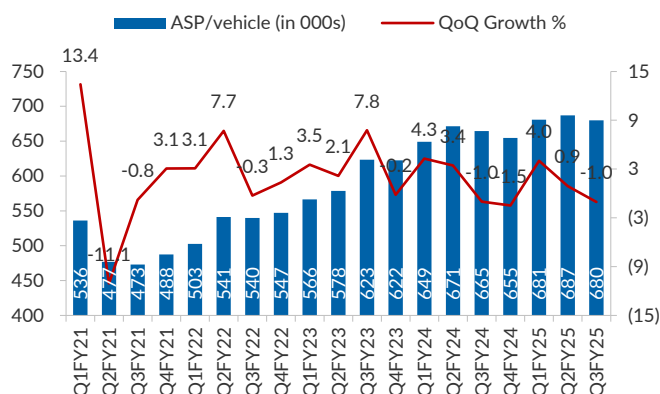
CHARTS

Exhibit 1: Volumes grew 13% YoY to 566.2k units



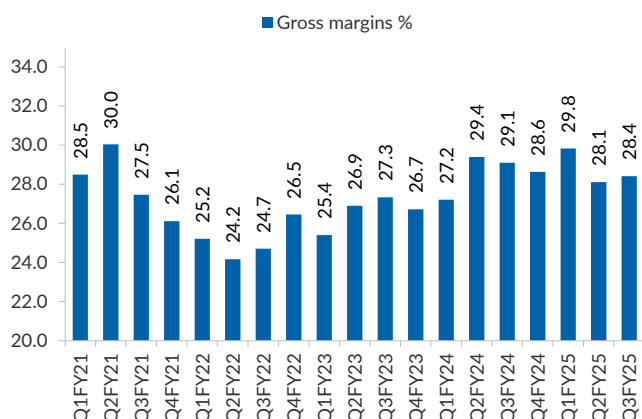
Source: Company, YES Sec

Exhibit 2: ASP grew 2.3% YoY at Rs679.8k



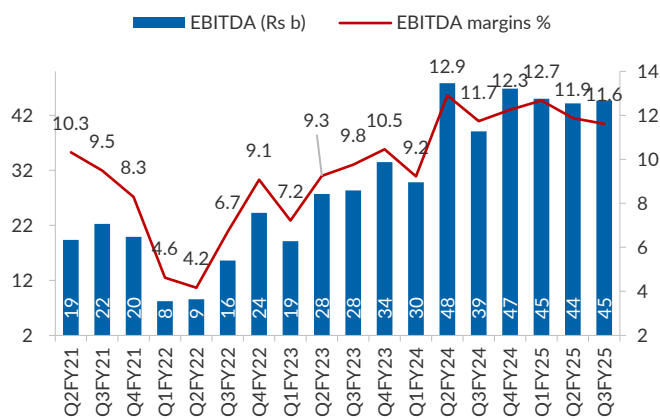
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Exhibit 3: GMs contracted ~70bp YoY at 28.4%



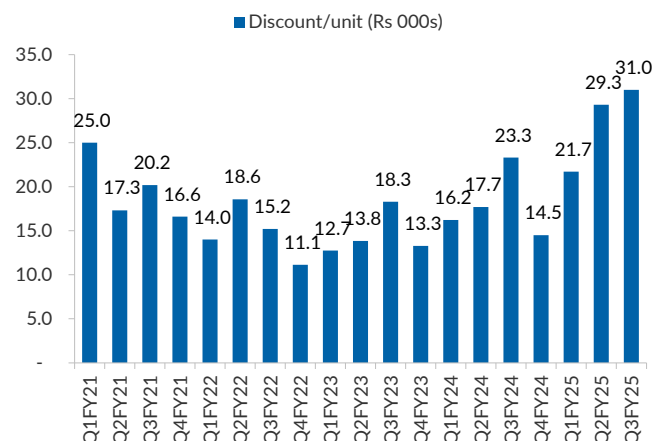
Source: Company, YES Sec

Exhibit 4: Margins remained flat YoY at 11.6%



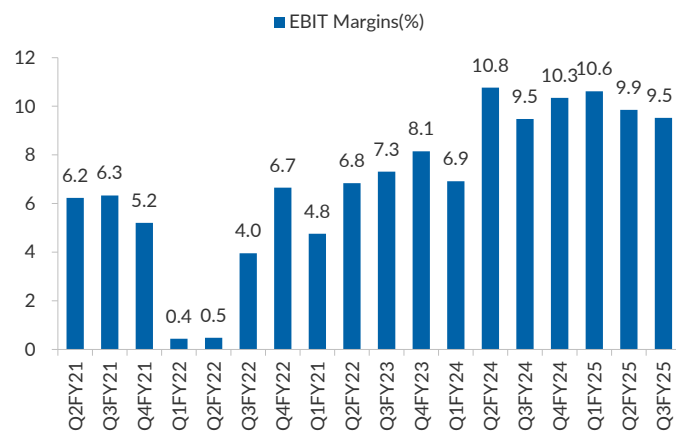
Source: Company, YES Sec

Exhibit 5: Average discount/unit at its peak



Source: Company, YES Sec

Exhibit 6: EBIT Margin contracted ~30bp YoY at 9.5%



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds						
Share Capital	1,510	1,510	1,572	1,572	1,572	1,572
Reserves	539,350	602,310	838,248	936,901	1,066,706	1,204,292
Net Worth	540,860	603,820	839,820	938,473	1,068,278	1,205,864
Loans	370	315	855	855	855	855
Deferred Tax Liability	(2,027)	(3,411)	(1,124)	(1,124)	(1,124)	(1,124)
Capital Employed	539,203	600,724	839,551	938,204	1,068,009	1,205,595
Application of Funds						
Gross Fixed Assets	324,892	380,545	413,278	546,312	626,312	706,312
Less: Depreciation	187,719	201,607	226,020	257,395	290,267	327,238
Net Fixed Assets	137,173	178,938	187,258	288,917	336,045	379,074
Capital WIP	29,294	28,081	63,034	10,000	10,000	10,000
Investments	407,633	477,564	685,137	720,137	755,137	790,137
Curr.Assets, Loans	152,387	138,064	160,856	170,943	226,334	277,088
Inventory	35,331	42,838	41,196	45,046	50,998	62,349
Sundry Debtors	20,301	32,958	46,013	29,554	33,459	36,370
Cash & Bank Balances	30,362	377	4,600	13,552	42,594	59,294
Loans & Advances	307	299	328	328	328	328
Others	66,086	61,592	68,719	82,463	98,955	118,746
Current Liab. & Prov.	187,284	221,923	256,734	251,793	259,507	250,704
Sundry Creditors	172,163	205,586	236,629	232,097	238,634	228,344
Provisions	15,121	16,337	20,105	19,697	20,873	22,360
Net Current Assets	(34,897)	(83,859)	(95,878)	(80,851)	(33,173)	26,384
Appl. of Funds	539,203	600,724	839,551	938,204	1,068,009	1,205,595

Source: Company, YES Sec

Maruti Suzuki India Ltd (MSIL)

Exhibit 8: Income statement

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Op Income	882,956	1,175,229	1,409,326	1,541,041	1,744,640	1,896,451
Change (%)	25.5	33.1	19.9	9.3	13.2	8.7
EBITDA	57,012	110,077	164,011	181,073	212,345	224,297
EBITDA Margins (%)	6.5	9.4	11.6	11.8	12.2	11.8
Depreciation	27,865	28,233	30,223	31,375	32,872	36,971
EBIT	29,147	81,844	133,788	149,699	179,472	187,326
Interest	1,259	1,866	1,932	1,938	1,957	1,977
Other Income	17,936	21,613	38,548	46,024	48,226	50,498
PBT	45,824	101,591	170,404	193,785	225,741	235,847
Tax	8,160	21,099	38,310	54,260	51,921	54,245
Effective tax Rate (%)	17.8	20.8	22.5	28.0	23.0	23.0
PAT	37,664	80,492	132,094	139,525	173,821	181,602
Change (%)	(11.0)	113.7	64.1	5.6	24.6	4.5
Adj. PAT	37,664	80,492	132,094	139,525	173,821	181,602
Change (%)	(11.0)	113.7	64.1	5.6	24.6	4.5

Source: Company, YES Sec

Exhibit 9: Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before Tax	45,823	101,591	170,404	193,785	225,741	235,847
Interest	1,259	1,866	1,932	1,938	1,957	1,977
Depreciation	27,865	28,233	30,223	31,375	32,872	36,971
Direct Taxes Paid	(11,769)	(22,313)	(35,557)	(54,260)	(51,921)	(54,245)
(Inc)/Dec in WC	(28,098)	3,787	22,777	(6,076)	(18,635)	(42,858)
Other Items	(17,168)	(20,884)	(38,109)	(46,024)	(48,226)	(50,498)
CF from Oper.Activity	17,912	92,280	151,670	120,738	141,790	127,195
(Inc)/Dec in FA	(33,227)	(62,474)	(69,637)	(80,000)	(80,000)	(80,000)
Free Cash Flow	(15,315)	29,806	82,033	40,738	61,790	47,195
(Pur)/Sale of Invest.	31,337	(17,708)	(37,191)	11,024	13,226	15,498
CF from Inv. Activity	(1,890)	(80,182)	(106,828)	(68,976)	(66,774)	(64,502)
Inc/(Dec) in Debt	(1,140)	7,895	(11,960)	-	-	-
Interest Paid	(1,291)	(1,854)	(1,472)	(1,938)	(1,957)	(1,977)
Dividends Paid	(13,594)	(18,125)	(27,187)	(40,872)	(44,016)	(44,016)
CF from Fin. Activity	(16,025)	(12,084)	(40,619)	(42,810)	(45,973)	(45,993)
Inc/(Dec) in Cash	(3)	14	4,223	8,952	29,043	16,700
Add: Op. Balance	323	320	334	4,600	13,552	42,594
Closing Balance	320	334	4,557	13,552	42,594	59,294

Source- Company, YES Sec

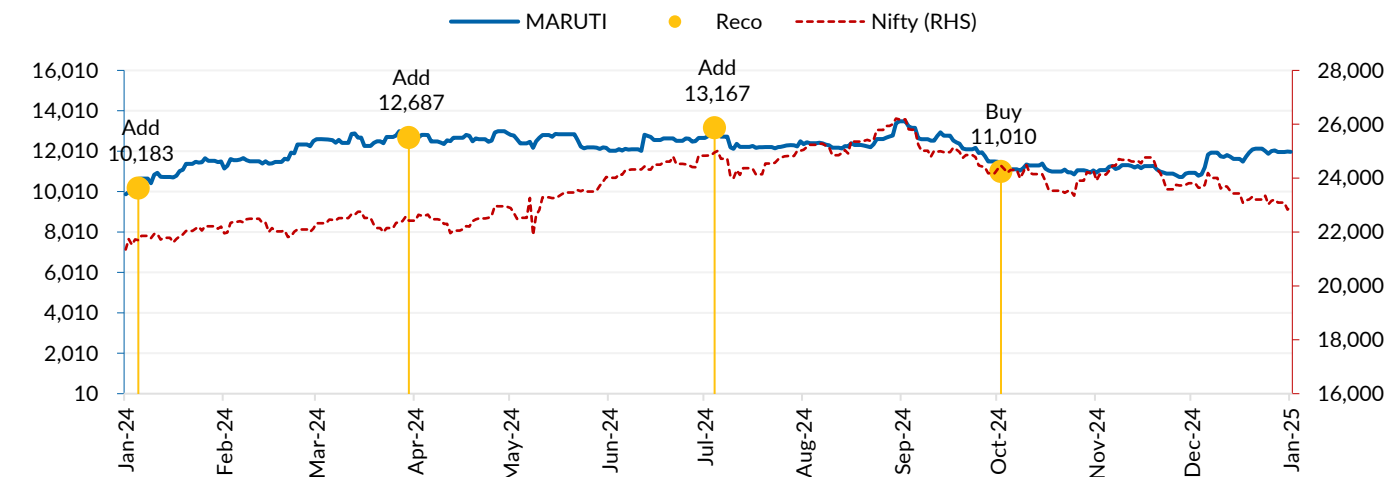
Maruti Suzuki India Ltd (MSIL)

Exhibit 10: Ratios

VY/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (Rs)						
Adjusted EPS	124.7	266.5	420.1	443.8	552.9	577.6
Consol EPS	132.2	274.6	428.5	452.8	552.9	577.6
Cash EPS	216.9	359.9	516.3	543.6	657.4	695.2
Book Value per Share	1,790.5	1,998.9	2,671.2	2,985	3,398	3,835
DPS	60.0	90.0	125.0	130.0	140.0	140.0
Div. payout (%)	48.1	33.8	29.8	29.3	25.3	24.2
Valuation (x)						
Consol. P/E	90.6	43.6	27.9	26.4	21.7	20.7
Cash P/E	55.2	33.3	23.2	22.0	18.2	17.2
EV/EBITDA	55.8	28.5	18.8	16.7	14.0	13.0
EV/Sales	3.6	2.7	2.2	2.0	1.7	1.5
P/BV	6.7	6.0	4.5	4.0	3.5	3.1
Dividend Yield (%)	0.5	0.8	1.0	1.1	1.2	1.2
FCF Yield (%)	(0.4)	0.8	2.3	1.1	1.7	1.3
Profitability Ratios (%)						
RoIC	28.0	57.9	76.1	60.8	58.2	46.1
RoE	7.0	13.3	15.7	14.9	16.3	15.1
RoCE	5.5	14.4	18.6	16.8	17.9	16.5
Turnover Ratios						
Debtors (Days)	8.4	10.2	11.9	7	7	7
Inventory (Days)	14.6	13.3	10.7	11	11	12
Creditors (Days)	71.2	63.9	61.3	55	50	44
Work. Cap. (Days)	(48.2)	(40.3)	(38.7)	-37	-32	-25
Asset Turnover (x)	1.2	1.4	1.3	1.3	1.3	1.3

Source- Company, YES Sec

Recommendation Tracker



Source – YES Sec

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Analyst signature

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