

Expect CNG vehicle demand rise, with price hikes offsetting inflation.

CMP: INR 11,953

Rating: Accumulate

Target Price: INR 13,420

Stock Info

BSE	532500
NSE	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.NS
Sector	Automobiles
Face Value (INR)	5
Equity Capital (INR mn)	1572
Mkt Cap (INR Bn)	3843
52w H/L (INR)	13,675/ 9,916
Avg Yearly Vol (in 000')	33

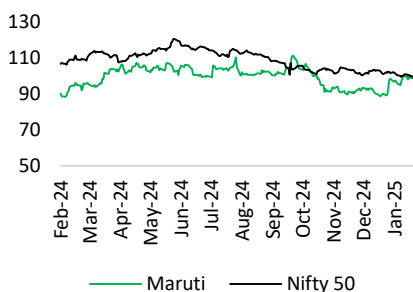
Shareholding Pattern %

(As on Dec, 2024)

Promoters	58.19
Public & Others	41.81

Stock Performance (%)	1m	3m	12m
Maruti Suzuki	-13.7	-11.3	9.8
Nifty 50	-5.64	-2.02	27.2

Maruti Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Maruti's (MSIL) reported strong PAT nos due to lower tax rate and Margin in line with our estimates. Standalone revenue stood at INR 384,921 Mn, largely in line our estimate of INR 385,105 Mn registering a growth of 15.6% YoY/ up 3.5% QoQ. EBITDA stood at INR 44,703 Mn, above our estimate of INR 43,815 Mn, registering a growth of 14.4% YoY/ 1.2% QoQ. On the margins front, EBITDA margin down by 26 bps QoQ/ down 12 bps YoY to 11.6%, in-line our estimate of 11.4%. Standalone PAT increased by 14.9% QoQ/ +12.6% YoY to INR 35,250 Mn above our estimate of INR 34,805 Mn led by lower tax rate 23.4% against ~40% in Q2FY25. MSIL has approved the amalgamation of its wholly owned subsidiary, SMG, into the company. The scheme is subject to approval from shareholders, creditors, and regulatory authorities.

Rural demand outpaces urban: The overall demand is subdued and weak, expected to continue for some time. Q3 retail sales grew 8.3% YoY, with rural up 15% and urban up 2.5%. YTD retail sales grew 3.5%, with growth expected to continue into Q4. Rural demand outpaces urban, with upper segments doing well, while entry-level hatchbacks struggle. The new Dzire has strong demand, with 20,000 bookings, and exports were exceptionally strong. The company ended Q3 with 9 days of inventory, signaling robust demand, though FY26 outlook remains unclear.

Strong export led new launches: Q3FY25, with 99,020 vehicles exported, a 38% increase YoY. The company commanded nearly 49% of India's total PV exports, generating export revenues of ~INR 6,5000 Mn. Exports grew across regions including Africa, Latin America, the Middle East, and ASEAN, with Maruti exporting a volume in Q3 equivalent to its total exports four years ago. Plans are in place to export the new e-Viatara electric vehicle to 100 countries globally.

e Vitara- a premium product: Maruti Suzuki's new electric SUV offers over 500 km range with a 61 kWh battery and advanced safety features, including 7 airbags as standard. Equipped with Level 2 autonomous driving capabilities, it will be exported to 100 countries, leveraging global economies of scale. Built on a ground-up EV platform, the model has a 2700 mm wheelbase, longer than the Grand Vitara, and will be sold through Maruti's premium Nexa channel. Initial production will use imported batteries, with plans for localization later.

Outlook and valuation

The overall demand remains subdued and weak, and this trend is expected to continue for some time. Maruti Suzuki commanded nearly 49% of India's total PV exports. In the domestic CNG vehicle segment, one in every three cars sold by the company in Q3 was a CNG vehicle. For the Dzire sedan model, Maruti holds over 50% MS in the sedan segment. In fact, one sedan from Maruti has outsold all other sedans in the industry combined, with a MS exceeding 50%. The company aims to become the largest manufacturer of EVs in India within the first year of EV production. While demand for entry-level cars has not significantly increased, SUVs continue to drive growth, with Maruti Suzuki maintaining its leadership in the UV segment. Rural markets have performed better than urban markets, with the Alto (an entry-level model) seeing good traction in rural areas. However, concerns persist in the near term due to challenges in improving MS and weaker growth in the entry-level segment. **We value Maruti at 23x FY27E EPS of INR 583.5 for the revised target price of INR 13,420 per share. We maintain our Accumulate rating on the stock.**

Exhibit 1: Financial Performance

Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Net Sales	14,09,326	1,52,327	16,94,011	18,92,649
EBITDA	1,63,601	1,84,350	2,05,450	2,34,665
Net Profit	13,209	14,123	1,60,762	1,83,426
Diluted EPS (INR.)	420.2	449.2	511.4	583.5
ROE (%)	17.8%	15.6%	16.0%	16.3%
ROCE (%)	17.4%	15.5%	15.9%	16.2%
P/E Ratio	28.4	26.6	23.4	20.5

Source: Arihant Research, Company Filings

Maruti Suzuki India Ltd- Q3FY25 Concall KTAs

Retail sales growth was 3.5% in 9MFY25, with rural sales outpacing urban (15% vs 2.5% growth in Q3), with upper segments doing well, while lower segments face challenges. Exports are strong, with Q3 reaching annual levels. The company ended Q3 with just 9 days of inventory, indicating strong demand.

e Vitara EV, which offers over 500km range and will be exported to 100 countries. Production will begin soon.

Over 10,000 charging stations are covered.

Roadside assistance is available across India.

E-Vitara: Large volumes of manufacturing, OEM, and export exemplified.

The all-new Dzire features new styling, an electric sunroof, HD camera, electric engine, 1.2L engine, and more fuel-efficient options.

Consumer preferences are shifting, with three new car models expected to drive business growth.

Exports grew by 38%, largely driven by the festival season, significantly increasing efforts and maximizing offers.

Inventory levels are low at 9 days, indicating robust Q4 dispatches likely

Maruti Suzuki holds a 49% market share in India, with a 20bps increase in sales compared to Q2FY25, largely due to new model launches.

Rural markets are showing trends similar to urban in terms of SUV mix.

The subsidiary SMG earned 57 crores, which is not included in PAT. The total is 1.6 Mn.

Demand environment: 3.5% growth is expected to continue. Consensus estimates will be released by the end of February. However, the overall demand scenario remains weak.

Sales promotions have increased by 20 bps largely due to seasonality and increased discounts in Q3, with discounts of 30,999 compared to 29,300 in Q2FY25. Overall, discounts seem to remain at a relatively high level of around 4-6% of sales price, especially for smaller car models, despite low inventory levels

No significant non-recurring items to report.

Focusing on maximizing EV volumes across key markets like Europe, Japan, and Indonesia, leveraging the distributor network, while also exploring other countries, with batteries being imported initially as SOP.

Price hike: A 30bps increase is planned in February, driven by inflationary pressure.

Exports: Plans to export to 100 countries on the EV side. Maruti Suzuki has made consistent efforts for growth across regions including Africa, Latin America, the Middle East, and Asia. Latin America has seen excellent traction due to new model launches, dealerships, customer reach, financing, network density, and more model releases. Q3FY25 has achieved in one quarter what was previously done in a year pre-COVID.

Maruti Suzuki's export revenues for Q3FY25 were INR ~6,500 cr.

The Kharkhoda plant is expected to start by Q4FY25.

e-Viatarara is comparable to ICE vehicles. The government's support may not be needed for long as efforts are being made to minimize costs for everyone. Production timelines will be finalized in the coming months.

Cost reduction: Customers will benefit from higher range vehicles, contributing to better comfort.

Hatchbacks: The segment is still not performing well, particularly in the lower segment, while the upper segment is doing well.

PLI This depends on production volume, not exports.

CAFE III: Industry bodies like SIAM are in discussions with the government regarding CAFE norms, but no specific timeline updates were provided. Maruti Suzuki feels it is well-positioned to meet CAFE 3 norms because it has presence across all major powertrain technologies - BEV, HEV, CNG, biofuels, flex fuel, etc.

e-Viatarara: A premium product with high voltage handling, excellent road assistance, mobile service units, fast chargers, and customer support for queries.

Software handling in EVs: Prior to launching the product, a thorough analysis was conducted. Suzuki's brand reliability ensures that such issues do not occur.

Toyota: Announced further orders in November.

e-Viatarara features a fresh design, including a 2700mm wheelbase and the Grand Vitara variant.

The new Dzire sedan is seeing strong demand, especially for top variants, with pending bookings of around 20,000 units. Safety features like 5-star rating are resonating well with customers 37% of bookings are for the top variant. Delivery is available within 25 km.

Exhibit 2: Q3FY25 result Snapshot

Standalone (INRm)	Q3FY25	Q2FY25	Q3FY24	QoQ(%)	YoY (%)
Net Sales	384,921	372,028	333,087	3.5	15.6
- Raw Material	275567	267459	236176	3.0	16.7
(% of Net Sales)	71.59%	71.89%	70.91%	-0.4	1.0
- Staff Expenditure	15,415	14,688	13,386	4.9	15.2
(% of Net Sales)	4.00%	3.95%	4.02%	1.4	-0.3
- Other Expenditure	49,236	45,715	44,446	7.7	10.8
(% of Net Sales)	12.79%	12.29%	13.34%	4.1	-4.1
Total Expenditure	340,218	327,862	294,008	3.8	15.7
EBITDA	44,703	44,166	39,079	1.2	14.4
EBITDA Margin (%)	11.61%	11.87%	11.73%	-26bps	-12bps
Depreciation	8050	7509	7517	7.2	7.1
EBIT	36,653	36,657	31,562	0.0	16.1
EBIT Margin (%)	9.52%	9.85%	9.48%	-33bps	5bps
Interest	484	402	354	20.4	36.7
Other Income	9850	14750	9330	-33.2	5.6
PBT	46,019	51,005	40,538	-9.8	13.5
Tax	10769	20313	9238	-47.0	16.6
Tax Rate (%)	23.40%	39.83%	22.79%	-	61bps
Adjusted PAT	35,250	30,692	31,300	14.9	12.6
Exceptional Items	-	-	-		
Reported PAT	35,250	30,692	31,300	14.9	12.6
Reported EPS (INR)	116.09	97.62	101.90	18.9	13.9
Volumes (In Nos)	501207	541550	501207	-7.4	0.0
Net Realisation (INR)	767,988	686,969	664,570	11.8	15.6
EBITDA / Vehicle (INR)	89,191	81,555	68,977	9.4	29.3

Source: Arian Research, Company Filings,

Exhibit 2: Profit & Loss-Standalone				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Net revenues	14,09,326	15,23,275	16,94,011	18,92,649
Operating expenses	12,45,725	13,38,925	14,88,561	16,57,985
EBITDA	1,63,601	1,84,350	2,05,450	2,34,665
EBITDA margin (%)	11.61%	12.10%	12.13%	12.40%
Other income	38,958	38,472	47,197	49,680
Interest	1,932	6,499	6,499	7,311
Depreciation	30,223	34,094	40,044	40,355
Profit Before Tax	1,70,404	1,82,229	2,06,104	2,36,678
Tax	38,310	41,001	45,343	53,253
Reported Net Profit	1,32,094	1,41,227	1,60,762	1,83,426
Net Margin (%)	9.37%	9.27%	9.49%	9.69%
Adjusted Net Profit	1,32,094	1,41,227	1,60,762	1,83,426

Balance Sheet-Standalone				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
Equity capital	1,572	1,572	1,572	1,572
Reserves & surplus	8,23,219	9,20,430	10,32,460	11,64,009
Shareholders funds	8,24,791	9,22,002	10,34,032	11,65,581
Total Loans	40,618	40,618	40,618	40,618
Deferred tax liability	-	-	-	-
Total Liabilities and Equity	8,65,409	9,62,620	10,74,650	12,06,199
Gross block	4,18,016	5,29,050	6,15,050	7,08,050
Depreciation	2,30,758	2,64,852	3,04,896	3,45,250
Net block	1,87,258	2,64,198	3,10,154	3,62,800
Capital WIP	63,034	32,000	36,000	38,000
Investments	6,85,137	6,85,637	6,86,137	6,86,637
Inventory	41,196	55,024	61,174	68,136
Debtors	46,013	41,734	46,411	51,853
Cash & Bank Bal	4,600	32,644	94,514	1,73,431
Loans & Advances	75,610	1,05,080	1,13,617	1,23,548
Current Assets	1,67,419	2,34,482	3,15,716	4,16,969
Sundry Creditors	1,45,824	1,33,094	1,48,039	1,69,744
Other Current Liability	76,586	1,20,602	1,25,318	1,28,462
Current Liability& Provisions	2,22,410	2,53,696	2,73,357	2,98,206
Net current assets	(54,991)	(19,214)	42,359	1,18,763
Total Assets	8,80,438	9,62,620	10,74,650	12,06,199

Source: Arian Research, Company Filings

Cash Flow-Standalone				
Y/E March (INR Mn)	FY24	FY25E	FY26E	FY27E
EBIT	1,33,378	1,50,255	1,65,406	1,94,310
Other Income	38,958	38,472	47,197	49,680
Depreciation & Amortisation	30,223	34,094	40,044	40,355
Interest paid(-)	(1,932)	(6,499)	(6,499)	(7,311)
Tax paid(-)	(38,310)	(41,001)	(45,343)	(53,253)
Extra Ord Income	-	-	-	-
Operating Cash Flow	1,62,317	1,75,322	2,00,805	2,23,780
Change in Working Capital	(9,076)	(7,732)	297	2,512
Cash flow from Operations	1,53,241	1,67,589	2,01,102	2,26,292
Capex	(73,496)	(80,000)	(90,000)	(95,000)
Strategic Investment	(1,68,451)	-	-	-
Non Strategic Investment	(39,122)	(500)	(500)	(500)
Cash flow from Investing	(2,81,069)	(80,500)	(90,500)	(95,500)
Change in borrowing	28,145	-	-	-
Others	1,28,177	-	-	-
Dividens Paid (-)	(39,300)	(44,016)	(48,732)	(51,876)
Cashflow from Financial Activities	1,17,022	(44,016)	(48,732)	(51,876)
Change in Cash	(10,806)	43,073	61,870	78,916
Opening cash	377	4,600	32,644	94,514
Closing cash	4,600	32,644	94,514	1,73,431

Key Ratios				
Y/E Mar	FY24	FY25E	FY26E	FY27E
Revenue Growth	19.9	8.1	11.2	11.7
EBITDA Margin	11.6	12.1	12.1	12.4
Net Profit Margin	9.4	9.3	9.5	9.7
ROCE (%)	17.4	15.5	15.9	16.2
ROE (%)	17.8	15.6	16.0	16.3
Diluted EPS (INR)	420.2	449.2	511.4	583.5
PER (x)	28.4	26.6	23.4	20.5
P/BV (x)	4.5	4.1	3.6	3.2
EV/ EBITDA (x)	23.2	20.4	18.0	15.4
Fixed Assets Turnover Ratio (x)	5.6	5.1	4.9	4.7
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.7	2.5	2.2	1.9

Source: Arian Research, Company Filings

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Fax: (91-731) 4217101

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880