

CMP: INR 11,005

Rating: Accumulate

Target Price: INR 12,837

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 Mn)	35,77,555
52w H/L (INR)	13,675/ 9,738
Avg Yearly Vol (in 000')	571

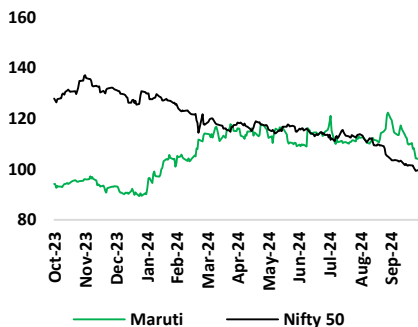
Shareholding Pattern %

(As on June, 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) Numbers below our estimates on all front. Standalone revenue stood at INR 372,028 Mn, below our estimate of INR 376,080 Mn registering a growth of 0.4% YoY/ up 4.5% QoQ. EBITDA stood at INR 44,166 Mn, below our estimate of INR 48,500 Mn, registering a de-growth of 1.9% QoQ/ 7.6% YoY. On the margins front, EBITDA margin down by 80 bps QoQ/ 103 bps YoY to 11.87%, below our estimate of 12.9% led by decline in domestic market sales. Standalone PAT decreased by 15.91% QoQ/ 17.42% YoY to INR 30,692 Mn below our estimate of INR 39,360 Mn. Volume: The sales in the domestic market stood at 463,834 units, down by 3.9% in Q2FY24. The export sales were at 77,716 units, a growth of 12.1% over Q2FY24.

Increased MS in SUVs segments led by strong demand: SUV market share has increased from 50% to about 54%, with this trend expected to continue. The small car segment remains in decline, although limited editions have helped stabilize sales. In rural markets, SUVs are the preferred choice, possibly due to their higher price points. Additionally, the Grand Vitara has quickly achieved 200,000 unit sales in the mid-SUV segment, while the France SUV reached the same milestone in just 17.3 months and is now being exported to Japan.

Evolving Consumption Patterns in India's Upcountry Markets: The rural landscape has significantly transformed, now better described as upcountry, with increasing similarities in consumption patterns between rural and urban areas. Consumers in these regions are not limited to smaller, lower-priced vehicles; the opening of Nixa showrooms in upcountry reflects this shift. India is now the third-largest car market, and while growth may occasionally slow, customer demand remains strong. This year, retail sales are expected to grow by about 3% to 4%, largely in-line with earlier forecasts.

Steady performance in Retail sales: In Q2FY25, the average discount per car was INR 29,300, with the company anticipating stable discounts for the remainder of the year. Retail sales growth, including October, was slightly below market levels but aligned with industry trends. Retail sales surpassed wholesale figures, indicating effective inventory management, with an overall retail sales growth forecast of 3% to 4% for the year, achieving 3.9% in October

Outlook and valuation

Maruti's EBITDA margin is currently at a peak, suggesting potential pressure on profitability. The company is facing market challenges with no new product launches planned, while competitors are preparing to introduce multiple offerings in the next six months. Although demand for entry-level cars has not significantly increased, SUVs continue to drive growth, and Maruti Suzuki retains its leadership in the UV segment. However, concerns persist in the near term due to difficulties in improving market share and weaker growth in the entry-level segment. **We value Maruti at 22x FY27E EPS of INR 583.5 for the revised target price of INR 12,837 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	15,23,275	16,94,011	18,92,649
EBITDA	1,63,601	1,84,350	2,05,450	2,34,665
Net Profit	1,32,094	1,41,227	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	26.2	24.5	21.5	18.9

Source: Arihant Research, Company Filings

Maruti Suzuki India Ltd- Q2FY25 Concall KTAs

For the period April to October 2024, Maruti expects to achieve ~3.9% growth in retail sales. The company expects to end the festive season with healthy inventory levels of about one month. The company maintains its focus on improving retail sales through customer-centric events and initiatives, particularly during the festive and year-end periods. The company expects to close FY25 with retail sales growth of 3-4%, aligning with or slightly exceeding their initial predictions made at the beginning of the financial year. While the small car segment continues to show decline, the company has managed to arrest this decline through the introduction of limited editions and market excitement initiatives.

Maruti Suzuki sold a total of 541,550 vehicles during Q2FY25, with domestic sales of 463,834 units (down 3.9% YoY) and exports of 77,716 units (up 12.1% YoY). The company achieved ~4% volume growth sequentially in Q2, resulting in operating leverage benefits of about 30-40 bps.

Festive season performance and outlook: The company is witnessing healthy festive season demand with 14% YoY growth in retail sales from the beginning of Shradh season (Mid September 2024) till Diwali. The company is not too concerned about the current market and believes market is just taking a breather.

Market and product trends: Despite muted PV demand in Q2, the company maintained retail sales nearly at par with the previous year through increased customer outreach and limited editions across segments. Rural is doing better than Urban and the company is actively expanding its mixed outlets in rural areas, beyond just the Arena network, to enhance market penetration. SUV segment contribution has increased from 50% to 54% of total sales. CNG vehicles continue to gain popularity, with one in every three cars sold by Maruti being a CNG vehicle in Q2FY25.

Financial impacts and currency: The company benefited from favorable forex movements in Q2, with approximately 60 bps gain due to hedging, which was accounted for in non-operating income. There was a sequential softening of employee costs by about 50 bps over Q1FY25, though this benefit was largely offset by lower other operating income.

Road tax rebate: The company is receiving support from various state governments for hybrid vehicles, with states like Haryana offering 25% road tax waiver and Chandigarh offering 50% road tax waiver.

EV: Maruti is planning to launch a high-specification EV with ~60 kilowatt-hour battery capacity, which will be showcased at the Bharat Mobility Show in January 2025.

Products: The company plans to expand from current 18 models to 28 models. They plan to launch one EV per year on average until the end of the decade, totaling 5-6 EVs. The remaining model expansion will include both refreshments of existing models and new ICE vehicles.

Export: Maruti commanded nearly 40% share of India's total passenger vehicle exports in both Q2 and H1FY25. Export volumes in Q2FY25 stood at INR 52,610 Mn, demonstrating strong international market presence.

Margins: The company witnessed higher sales promotion expenses in Q2 which impacted gross margins. Commodity costs had a 0.5% impact on margins, though this was partially offset by favorable exchange rates. The royalty payment stood at 3.4% of sales Q2FY25. Changes in finished goods inventory was positive in Q2FY25, which was unusual as typically there is factory inventory buildup in this quarter.

Sales & discounts: Average discount per car in Q2FY25 was INR 29,300. The company expects discounts to remain stable for the rest of the year. Retail sales growth including October was slightly lower than the market but almost in line with industry. Retail sales were higher than wholesale in Q2, indicating healthy inventory management.

CNG portfolio: Maruti Suzuki introduced S-CNG powertrain in its fourth-generation Swift, expanding its CNG vehicle lineup. The CNG infrastructure is expected to expand from current 7,000 stations to 17,000 stations by the end of the decade. The company is positioning CNG as a premium fuel option rather than just an economy fuel, with higher-end SUV customers also accepting it.

Commodity prices: The commodity price outlook is stable with some commodities showing increases while others are decreasing. The company is increasing its hedging coverage to manage Japanese Yen volatility, particularly in light of upcoming elections and other macroeconomic factors.

Rural vs Urban market: Rural markets showed positive growth while urban markets registered negative growth. The company noted significant changes in rural consumption patterns, with increasing convergence between rural and urban preferences. They are opening premium showrooms in upcountry locations due to evolving consumer preferences.

Small car: The entry-level car segment continues to face challenges due to affordability issues, both from income and car cost perspectives. However, the company has managed to arrest the decline through some limited model launches.

Manufacturing capacity: The new plant in Kharkhoda is on track for commissioning by the end of FY25. This will add 300,000 units to the company's production capacity.

Other highlights

The Grand Vitara achieved the milestone of 200,000 sales in just 17.3 months, becoming the fastest model to reach this mark.

The company plans to amalgamate Suzuki Motor Gujarat Private Limited with Maruti Suzuki, with the appointed date being April 1, 2025.

The company reached the milestone of 500 Nexa outlets, serving over 2.7 mn customers across 300+ cities.

Maruti's total sales network (including Arena, Nexa, and Commercial) now extends to 3,925 outlets covering about 2,600 towns and cities.

The company achieved a milestone of dispatching 2 mn vehicles through railways, saving approximately 270 mn liters of fuel over the last 10 years.

The Manesar facility became the fastest among Suzuki's global automobile manufacturing facilities to reach its milestone in just 18 years of inception.

Exhibit 2: Q2FY25 result Snapshot

Standalone (INRm)	Q2FY25	Q1FY25	Q2FY24	QoQ(%)	YoY (%)
Net Sales	3,72,028	3,55,314	3,70,621	4.7	0.4
- Raw Material	267459	249329	261690	7.3	2.2
(% of Net Sales)	71.89%	70.17%	70.61%	2.5	1.8
- Staff Expenditure	14,688	15,576	13,127	-5.7	11.9
(% of Net Sales)	3.95%	4.38%	3.54%	-9.9	11.5
- Other Expenditure	45,715	45,386	47,962	0.7	-4.7
(% of Net Sales)	12.29%	12.77%	12.94%	-3.8	-5.0
Total Expenditure	3,27,862	3,10,291	3,18,330	5.7	3.0
EBITDA	44,166	45,023	52,291	-1.9	-15.5
EBITDA Margin (%)	11.87%	12.67%	14.11%	-80bps	-224bps
Depreciation	7509	7310	7941	2.7	-5.4
EBIT	36,657	37,713	21,889	-2.8	67.5
EBIT Margin (%)	9.85%	10.61%	6.03%	-76bps	382bps
Interest	402	573	351	-29.8	14.5
Other Income	14750	9751	8436	51.3	74.8
PBT	51,005	46,891	30,326	8.8	68.2
Tax	20313	10392	10821	95.5	87.7
Tax Rate (%)	39.83%	22.16%	35.68%	1766bps	414bps
Adjusted PAT	30,692	36,499	21,081	-15.9	45.6
Exceptional Items	-	-	-		
Reported PAT	30,692	36,499	24,851	-15.9	23.5
Reported EPS (INR)	97.62	116.09	123.03	-15.9	-20.7
Volumes (In Nos)	541550	501207	552055	8.0	-1.9
Net Realisation (INR)	6,86,969	7,08,917	6,71,348	-3.1	2.3
EBITDA / Vehicle (INR)	81,555	89,829	94,721	-9.2	-13.9

Source: Arian Research, Company Filings,

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Reliasation	5,78,490	6,23,387	6,22,379	6,49,095	6,71,348	6,64,570	6,54,672	7,08,917	6,86,969
% change QoQ	2.15%	7.76%	-0.16%	4.29%	3.43%	-1.01%	-1.49%	8.29%	-3.10%

Exhibit 2: Profit & Loss-Standalone					
Y/E March (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net revenues	11,75,229	14,09,326	15,23,275	16,94,011	18,92,649
Operating expenses	10,65,037	12,45,725	13,38,925	14,88,561	16,57,985
EBITDA	1,10,192	1,63,601	1,84,350	2,05,450	2,34,665
EBITDA margin (%)	9.38%	11.61%	12.10%	12.13%	12.40%
Other income	21,613	38,958	38,472	47,197	49,680
Interest	1,866	1,932	6,499	6,499	7,311
Depreciation	28,233	30,223	34,094	40,044	40,355
Profit Before Tax	1,01,591	1,70,404	1,82,229	2,06,104	2,36,678
Tax	22,475	38,310	41,001	45,343	53,253
Reported Net Profit	79,116	1,32,094	1,41,227	1,60,762	1,83,426
Net Margin (%)	6.73%	9.37%	9.27%	9.49%	9.69%
Adjusted Net Profit	80,583	1,32,094	1,41,227	1,60,762	1,83,426

Exhibit 3: Balance Sheet-Standalone					
Y/E March (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	1,510	1,572	1,572	1,572	1,572
Reserves & surplus	6,02,310	8,23,219	9,20,430	10,32,460	11,64,009
Shareholders funds	6,03,820	8,24,791	9,22,002	10,34,032	11,65,581
Total Loans	12,473	40,618	40,618	40,618	40,618
Deferred tax liability	-	-	-	-	-
Total Liabilities and Equity	6,16,293	8,65,409	9,62,620	10,74,650	12,06,199
Gross block	3,78,584	4,18,016	5,29,050	6,15,050	7,08,050
Depreciation	2,00,535	2,30,758	2,64,852	3,04,896	3,45,250
Net block	1,78,049	1,87,258	2,64,198	3,10,154	3,62,800
Capital WIP	28,970	63,034	32,000	36,000	38,000
Investments	4,77,564	6,85,137	6,85,637	6,86,137	6,86,637
Inventory	42,838	41,196	55,024	61,174	68,136
Debtors	32,958	46,013	41,734	46,411	51,853
Cash & Bank Bal	377	4,600	32,644	94,514	1,73,431
Loans & Advances	71,031	75,610	1,05,080	1,13,617	1,23,548
Current Assets	1,47,204	1,67,419	2,34,482	3,15,716	4,16,969
Sundry Creditors	1,17,804	1,45,824	1,33,094	1,48,039	1,69,744
Other Current Liability	97,690	76,586	1,20,602	1,25,318	1,28,462
Current Liability & Provisions	2,15,494	2,22,410	2,53,696	2,73,357	2,98,206
Net current assets	(68,290)	(54,991)	(19,214)	42,359	1,18,763
Total Assets	6,16,293	8,80,438	9,62,620	10,74,650	12,06,199

Source: Arihant Research, Company Filings

Exhibit 4: Cash Flow-Standalone					
Y/E March (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
EBIT	81,959	1,33,378	1,50,255	1,65,406	1,94,310
Other Income	21,613	38,958	38,472	47,197	49,680
Depreciation & Amortisation	28,233	30,223	34,094	40,044	40,355
Interest paid(-)	(1,866)	(1,932)	(6,499)	(6,499)	(7,311)
Tax paid(-)	(21,099)	(38,310)	(41,001)	(45,343)	(53,253)
Extra Ord Income	(115)	-	-	-	-
Operating Cash Flow	1,08,725	1,62,317	1,75,322	2,00,805	2,23,780
Change in Working Capital	9,254	(9,076)	(7,732)	297	2,512
Cash flow from Operations	1,17,979	1,53,241	1,67,589	2,01,102	2,26,292
Capex	(68,785)	(73,496)	(80,000)	(90,000)	(95,000)
Strategic Investment	(1,10,932)	(1,68,451)	-	-	-
Non Strategic Investment	41,001	(39,122)	(500)	(500)	(500)
Cash flow from Investing	(1,38,716)	(2,81,069)	(80,500)	(90,500)	(95,500)
Change in borrowing	8,284	28,145	-	-	-
Others	9,648	1,28,177	-	-	-
Dividens Paid (-)	(27,180)	(39,300)	(44,016)	(48,732)	(51,876)
Cashflow from Financial Activities	(9,248)	1,17,022	(44,016)	(48,732)	(51,876)
Change in Cash	(29,985)	(10,806)	43,073	61,870	78,916
Opening cash	30,362	377	4,600	32,644	94,514
Closing cash	377	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)	26.2	24.5	21.5	18.9	
P/BV (x)	4.1	3.8	3.3	3.0	
EV/ EBITDA (x)	21.4	18.8	16.6	14.2	
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)	2.5	2.3	2.0	1.8	

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

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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