

Q1 – Strong EBITDA Margins; Diminishing Tailwinds Drive Cautious Stand

Est. Vs. Actual for Q1FY25: Revenue – BEAT ; EBITDA – BEAT ; PAT –BEAT

Change in Estimates post Q1FY25
FY25E/FY26E: Revenue 1.1%/1.1%; EBITDA 1.6%/4.1%; PAT 5.9%/9.1%.
Recommendation Rationale

- Industry Outlook:** The PV industry is anticipated to grow in the mid single-digits YoY in FY25E (compared to 26.7%/8.4% YoY growth in FY23/24 respectively). This growth trajectory will be driven by the ongoing expansion of the UV segment in the sales mix, increased export volumes, and a rising share of CNG/Hybrid/EV vehicles in the fuel composition (and a stagnant small car segment). We model in 7% CAGR volume growth in Maruti (marginally higher than the industry average) over FY24 to FY27E.
- EBITDA Performance:** The company's EBITDA margins stood at 12.7% in Q1FY25 vs. 9.2% in Q1FY24, driven by 10% higher YoY volumes, better sales mix, increased FX benefit, and softening commodities over the past year. We revise our EBITDA upwards by 1.6%/4.1% in FY25E/26E respectively.
- New Model launches:** The company is on course to start production of battery electric vehicle (BEV) eVX in CY25 catering to the premium segment customer profile. However, with the continued slowdown in the entry-level segment, we expect new model launches from competitors to put pressure on Maruti's market share recovery target of 50% over the next few years.

Sector Outlook: Cautiously positive

Company Outlook & Guidance:

In the near term, the industry is pinning its hopes on a better monsoon season and the upcoming festive season, while also being mindful of the high base in FY24. The company expects CNG/export sales volumes over ~600k/300k units respectively in FY25E.

Current Valuation: 27x P/E FY26 EPS (unchanged)
Current TP: Rs 14,235 (13,650/share earlier)

Outlook

The higher share of premium MPV/SUVs and exports in the sales mix will drive volume growth by 7% CAGR in FY24-27E.

Valuation & Recommendation

We value the stock at 27xP/E of its FY26 EPS (unchanged) to arrive at our TP of Rs 14,235 (Rs 13,650 earlier) on account of sustained margins on the back of export volume growth, better mix of SUVs, CNG, and Hybrid in the sales mix. However, with growth volume expectations in the entry-level car segment remaining muted in the near term and limited upside potential as positives are largely factored in, we maintain a HOLD rating with an upside of 8% from the current market price (CMP).

Key Financials (Standalone)

| (Rs Cr) | Q1FY25 | QoQ (%) | YoY (%) | Axis Est. | Variance |
|----------------|--------|---------|---------|-----------|----------|
| Net Sales | 35,531 | -7% | 10% | 34,181 | 4% |
| EBITDA | 4,502 | -4% | 51% | 3,932 | 14% |
| EBITDA Margin | 12.7% | 42 bps | 344 bps | 11.5% | 117 bps |
| Adj Net Profit | 3,650 | -6% | 47% | 3,232 | 13% |
| Adj EPS (Rs) | 116.1 | -6% | 41% | 102.8 | 13% |

Source: Company, Axis Securities Research

| (CMP as of 31 st Jul' 24) | |
|--------------------------------------|--------------|
| CMP (Rs) | 13,168 |
| Upside /Downside (%) | 8% |
| High/Low (Rs) | 13,390/9,257 |
| Market cap (Cr) | 4,14,003 |
| Avg. daily vol. (6m)Shrs. | 5,81,488 |
| No. of shares (Cr) | 31.44 |

Shareholding (%)

| | Dec-23 | Mar-24 | Jun-24 |
|-------------|--------|--------|--------|
| Promoter | 58.19 | 58.19 | 58.19 |
| FII's | 20.60 | 19.64 | 18.98 |
| MFs / UTI | 11.83 | 12.67 | 13.26 |
| FIs / Banks | 0.06 | 0.00 | 0.04 |
| Others | 9.32 | 9.50 | 9.53 |

Financial & Valuations

| Y/E Mar (Rs) | FY25E | FY26E | FY27E |
|----------------|----------|----------|----------|
| Net Sales | 1,52,883 | 1,69,933 | 1,89,351 |
| EBITDA | 18,556 | 21,148 | 23,524 |
| Net Profit | 14,437 | 16,575 | 18,088 |
| EPS (Rs.) | 459.2 | 527.2 | 575.3 |
| PER (x) | 28.7 | 25.0 | 22.9 |
| EV/ EBITDA (x) | 22.3 | 19.3 | 17.1 |
| P/BV (x) | 4.5 | 4.0 | 3.5 |
| ROE (%) | 16.0% | 16.4% | 16.0% |

Change in Estimates (%)

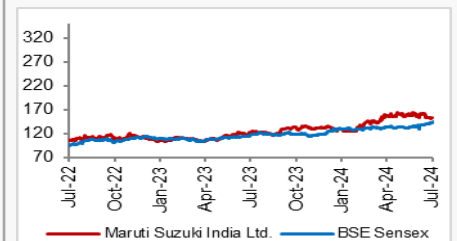
| Y/E Mar | FY25E | FY26E |
|---------|-------|-------|
| Sales | 1.1% | 1.1% |
| EBITDA | 1.6% | 4.1% |
| PAT | 5.9% | 9.1% |

ESG disclosure Score**

| | |
|-----------------------------|--------------|
| Environmental Disclosure | 69.44 |
| Social Disclosure Score | 39.57 |
| Governance Disclosure Score | 84.86 |
| Total ESG Disclosure Score | 64.65 |
| Sector Avg | 48.80 |

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures, The Sector average is for NSE500 companies

Relative performance


Source: Ace Equity, Axis Securities

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Financial Performance

Revenue for MSIL was ₹35,531 Cr, exceeding estimates, reflecting a 10% YoY increase (down 7% QoQ), driven by a 10% YoY volume growth. EBITDA reached ₹4,502 Cr, marking a 51% YoY increase (down 4% QoQ), surpassing estimates by 14.5%. The EBITDA margin improved by approximately 344 bps YoY and 42 bps QoQ to 12.7%, compared to our estimate of 11.5%. This margin expansion was influenced by a one-time reversal of net raw material to sales ratio (~60 bps impact), cost control measures, commodity benefits, forex gains, and a better product mix, partly offset by higher discounts. PAT amounted to ₹3,650 Cr, up 47% YoY (down 6% QoQ), exceeding our estimate by 13%, primarily driven by the strong EBITDA performance.

Key Concall Highlights

- In Apr'24, the company at its Manesar facility commissioned an additional vehicle assembly line, having the capacity to manufacture 100,000 units annually. The total manufacturing capacity at Manesar facility now stands at 900,000 vehicles annually.
- The company sold a total of 521,868 vehicles during the quarter, higher by 4.8% compared to the same period the previous year. In Q1FY25, the sales in the domestic market stood at 451,308 units, up by 3.8% over that in Q1FY24. The export sales were at 70,560 units, a growth of 11.6% over Q1FY24.
- The company has set up over 3,000 Arena sales outlets and over 5,000 service touchpoints as of Jun'24.
- **Exports:** Exports are expected to grow in future years with demand from Latin America, the Middle East, and Africa and it expects to increase exports to over ~3 Lc units in FY25E. Export revenue in Q1FY25 stood at Rs 4,481 Cr.
- **Growth in CNG sales:** The improvement of CNG infrastructure (new pumps) in new geographies like Rajasthan, Karnataka, Tamil Nadu, Madhya Pradesh, Kerala, and Bihari is helping in the growth of CNG vehicles. The management informed us that one out of every three vehicles being sold in the domestic market is a CNG vehicle.
- **Discounts, Royalty, and Price Hikes** Discounts for the quarter stood at ~Rs 21.7k vs 14.5k per vehicle in Q4FY24. The royalty stood at 3.5% for the company and is expected to be in the range of 3.5-4% in the near future.

Key Risks to Our Estimates and TP

- Multiple launches from competitors will make the UV space more cluttered and competitive in future.
- Upside risk to our estimates may arise on account of a reduction in GST from 28% to 5% on Hybrid Vehicles which will be a positive trigger for the company.

Change in Estimates

| | Revised | | | Old | | | % Change | | |
|--------|----------|----------|----------|----------|----------|-------|----------|-------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Sales | 1,52,883 | 1,69,933 | 1,89,351 | 1,51,294 | 1,68,004 | - | 1.1% | 1.1% | - |
| EBITDA | 18,556 | 21,148 | 23,524 | 18,270 | 20,321 | - | 1.6% | 4.1% | - |
| PAT | 14,437 | 16,575 | 18,088 | 13,635 | 15,194 | - | 5.9% | 9.1% | - |
| EPS | 459.2 | 527.2 | 575.3 | 433.7 | 483.3 | - | 5.9% | 9.1% | - |

Source: Company, Axis Securities Research

Q1FY25 Results Review

| YE March (Rs. Cr) | Q1FY25 | Axis Sec Estimates | Axis Sec Var (%) | Q4FY24 | QoQ (%) | Q1FY24 | YoY (%) |
|--|-----------------|---------------------------|-------------------------|-----------------|----------------|-----------------|----------------|
| Mini (Alto, S-presso) | 30,816 | 30,816 | 0.0% | 42,460 | -27.4% | 40,400 | -23.7% |
| Compact (Baleno, Celerio, Dzire, Ignis, Swift, Tour S, WagonR) | 1,89,208 | 1,89,208 | 0.0% | 2,18,004 | -13.2% | 2,10,825 | -10.3% |
| Mid-Size (Ciaz) | 2,169 | 2,169 | 0.0% | 1,434 | 51.3% | 3,753 | -42.2% |
| Passenger Cars | 2,22,193 | 2,22,193 | 0.0% | 2,61,898 | -15.2% | 2,54,978 | -12.9% |
| UV (Brezza, Ertiga, S-Cross, XL6, Grand Vitara) | 1,63,130 | 1,63,130 | 0.0% | 1,81,708 | -10.2% | 1,26,401 | 29.1% |
| Vans (Eeco) | 33,791 | 33,791 | 0.0% | 36,185 | -6.6% | 32,676 | 3.4% |
| Total Domestic PV sales | 4,19,114 | 4,19,114 | 0.0% | 4,79,791 | -12.6% | 4,14,055 | 1.2% |
| Total LCV (Super Carry) | 7,946 | 7,946 | 0.0% | 10,150 | -21.7% | 8,079 | -1.6% |
| Sales to other OEM | 24,248 | 24,248 | 0.0% | 15,350 | 58.0% | 12,678 | 91.3% |
| Total Domestic Sales | 4,51,308 | 4,51,308 | 0.0% | 5,05,291 | -10.7% | 4,34,812 | 3.8% |
| Exports | 70,560 | 70,560 | 0.0% | 78,740 | -10.4% | 63,218 | 11.6% |
| Total Sales (units) | 5,21,868 | 5,21,868 | 0.0% | 5,84,031 | -10.6% | 4,98,030 | 4.8% |
| Net Sales | 33,875 | 32,806 | 3.3% | 36,698 | -7.7% | 30,845 | 9.8% |
| Other Operating Income | 1,656 | 1,374 | 20.5% | 1,537 | 7.7% | 1,482 | 11.8% |
| Total Revenue | 35,531 | 34,181 | 4.0% | 38,235 | -7.1% | 32,327 | 9.9% |
| Less: | | | | | | | |
| Net Raw Material consumed | 24,933 | 24,169 | 3.2% | 27,288 | -8.6% | 23,532 | 6.0% |
| Other Exp. | 4,539 | 4,444 | 2.1% | 4,895 | -7.3% | 4,351 | 4.3% |
| Personnel | 1,558 | 1,636 | -4.8% | 1,366 | 14.0% | 1,461 | 6.6% |
| Total Expenditure | 31,029 | 30,248 | 2.6% | 33,550 | -7.5% | 29,344 | 5.7% |
| EBITDA | 4,502 | 3,932 | 14.5% | 4,685 | -3.9% | 2,983 | 50.9% |
| Less: Depreciation | 731 | 762 | -4.1% | 729 | 0.3% | 748 | -2.2% |
| EBIT | 3,771 | 3,170 | 19.0% | 3,956 | -4.7% | 2,236 | 68.7% |
| Less: Interest | 57 | 77 | -25.8% | 76 | -24.8% | 47 | 23.2% |
| Add: Other income | 975 | 1,078 | -9.5% | 1,118 | -12.8% | 1,001 | -2.6% |
| Profit Before Extraordinary Items and Tax | 4,689 | 4,171 | 12.4% | 4,998 | -6.2% | 3,190 | 47.0% |
| Extra Ord. Expenses/ (Income) | 0 | 0 | NA | 0 | NA | 0 | NA |
| Profit Before Tax | 4,689 | 4,171 | 12.4% | 4,998 | -6.2% | 3,190 | 47.0% |
| Less: Total Tax | 1,039 | 938 | 10.7% | 1,120 | -7.2% | 705 | 47.4% |
| Profit After Tax | 3,650 | 3,232 | 12.9% | 3,878 | -5.9% | 2,485 | 46.9% |
| Adj. PAT | 3,650 | 3,232 | 12.9% | 3,878 | -5.9% | 2,485 | 46.9% |
| Shares Outstanding (mn) | 31 | 31 | 0.0% | 31 | 0.0% | 30 | 4.1% |
| Reported EPS (Rs.) | 116.1 | 102.8 | 12.9% | 123.3 | -5.9% | 82.3 | 41.1% |
| Adj. EPS (Rs.) | 116.1 | 102.8 | 12.9% | 123.3 | -5.9% | 82.3 | 41.1% |
| Margin Analysis (%) | Q1FY25 | Axis Sec Estimates | Axis Sec Var (%) | Q4FY24 | QoQ (%) | Q1FY24 | YoY (%) |
| Net Realisation (Rs/unit) ASP | 6,49,116 | 6,28,634 | 3.3% | 6,28,348 | 3.3% | 6,19,344 | 4.8% |
| Gross Margin | 29.8% | 29.3% | 54 | 29% | 120 | 27% | 262 |
| EBITDA Margin | 12.7% | 11.5% | 117 | 12.3% | 42 | 9.2% | 344 |
| EBIT Margin | 10.6% | 9.3% | 134 | 10.3% | 27 | 6.9% | 370 |
| Adj. NPM | 10.3% | 9.5% | 82 | 10.1% | 13 | 7.7% | 258 |
| Effective Tax Rate | 22.2% | 22.5% | -34 | 22.4% | -25 | 22.1% | 6 |
| Cost Analysis | | | | | | | |
| RM Cost/Net Sales | 70.2 | 70.7 | (54) | 71.4 | -120 | 72.8 | -262 |
| Other Expenses./Net Sales | 12.8 | 13.0 | (23) | 12.8 | -3 | 13.5 | -69 |
| Personnel/Net Sales | 4.4 | 4.8 | (40) | 3.6 | 81 | 4.5 | -14 |

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

| Y/E March (Rs Cr) | FY24 | FY25E | FY26E | FY27E |
|----------------------------|----------|----------|----------|----------|
| Net revenues | 1,40,933 | 1,52,883 | 1,69,933 | 1,89,351 |
| Operating expenses | 1,24,573 | 1,34,327 | 1,48,785 | 1,65,827 |
| EBITDA | 16,360 | 18,556 | 21,148 | 23,524 |
| EBITDA margin (%) | 11.61% | 12.14% | 12.45% | 12.42% |
| Other income | 3,896 | 3,911 | 4,755 | 4,999 |
| Interest | 193 | 545 | 650 | 650 |
| Depreciation | 3,022 | 3,315 | 4,004 | 4,683 |
| Profit Before Tax | 17,040 | 18,608 | 21,249 | 23,190 |
| Tax | 3,831 | 4,171 | 4,675 | 5,102 |
| Reported Net Profit | 13,209 | 14,437 | 16,575 | 18,088 |
| Net Margin (%) | 9.37% | 9.44% | 9.75% | 9.55% |
| Adjusted Net Profit | 13,209 | 14,437 | 16,575 | 18,088 |

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

| Y/E March (Rs Cr) | FY24 | FY25E | FY26E | FY27E |
|-------------------------------------|---------------|---------------|-----------------|-----------------|
| Equity capital | 157 | 157 | 157 | 157 |
| Reserves & surplus | 82,322 | 92,358 | 1,04,059 | 1,16,960 |
| Shareholders' funds | 82,479 | 92,515 | 1,04,216 | 1,17,117 |
| Total Loans | 4,062 | 4,062 | 4,062 | 4,062 |
| Deferred tax liability | - | - | - | - |
| Total Liabilities and Equity | 86,541 | 96,577 | 1,08,278 | 1,21,179 |
| Gross block | 41,802 | 52,905 | 61,505 | 72,305 |
| Depreciation | 23,076 | 26,391 | 30,395 | 35,078 |
| Net block | 18,726 | 26,514 | 31,110 | 37,227 |
| Capital WIP | 6,303 | 3,200 | 3,600 | 4,800 |
| Investments | 68,514 | 68,564 | 68,614 | 68,664 |
| Inventory | 4,120 | 5,520 | 6,114 | 6,815 |
| Debtors | 4,601 | 4,189 | 4,656 | 5,188 |
| Cash & Bank Bal | 460 | 3,448 | 10,080 | 15,425 |
| Loans & Advances | 7,561 | 10,536 | 11,388 | 12,359 |
| Current Assets | 16,742 | 23,693 | 32,238 | 39,786 |
| Sundry Creditors | 14,582 | 13,334 | 14,752 | 16,452 |
| Other Current Liability | 7,659 | 12,060 | 12,532 | 12,846 |
| Current Liability & Provisions | 22,241 | 25,394 | 27,284 | 29,298 |
| Net current assets | (5,499) | (1,702) | 4,954 | 10,488 |
| Total Assets | 88,044 | 96,577 | 1,08,278 | 1,21,179 |

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

| Y/E March (Rs Cr) | FY24 | FY25E | FY26E | FY27E |
|--|-----------------|----------------|----------------|-----------------|
| EBIT | 13,338 | 15,242 | 17,144 | 18,841 |
| Other Income | 3,896 | 3,911 | 4,755 | 4,999 |
| Depreciation & Amortization | 3,022 | 3,315 | 4,004 | 4,683 |
| Interest paid(-) | (193) | (545) | (650) | (650) |
| Tax paid(-) | (3,831) | (4,171) | (4,675) | (5,102) |
| Extra Ord Income | - | - | - | - |
| Operating Cash Flow | 16,232 | 17,752 | 20,579 | 22,772 |
| Change in Working Capital | (908) | (809) | (24) | (189) |
| Cash flow from Operations | 15,324 | 16,943 | 20,555 | 22,582 |
| Capex | (7,350) | (8,000) | (9,000) | (12,000) |
| Strategic Investment | (16,845) | - | - | - |
| Non-Strategic Investment | (3,912) | (50) | (50) | (50) |
| Cash flow from Investing | (28,107) | (8,050) | (9,050) | (12,050) |
| Change in borrowing | 2,815 | - | - | - |
| Others | 12,818 | - | 0 | - |
| Dividends Paid (-) | (3,930) | (4,402) | (4,873) | (5,188) |
| Cash Flow from Financial Activities | 11,702 | (4,402) | (4,873) | (5,188) |
| Change in Cash | (1,081) | 4,491 | 6,632 | 5,345 |
| Opening cash | 38 | 460 | 3,448 | 10,080 |
| Closing cash | 460 | 3,448 | 10,080 | 15,425 |

Source: Company, Axis Securities Research

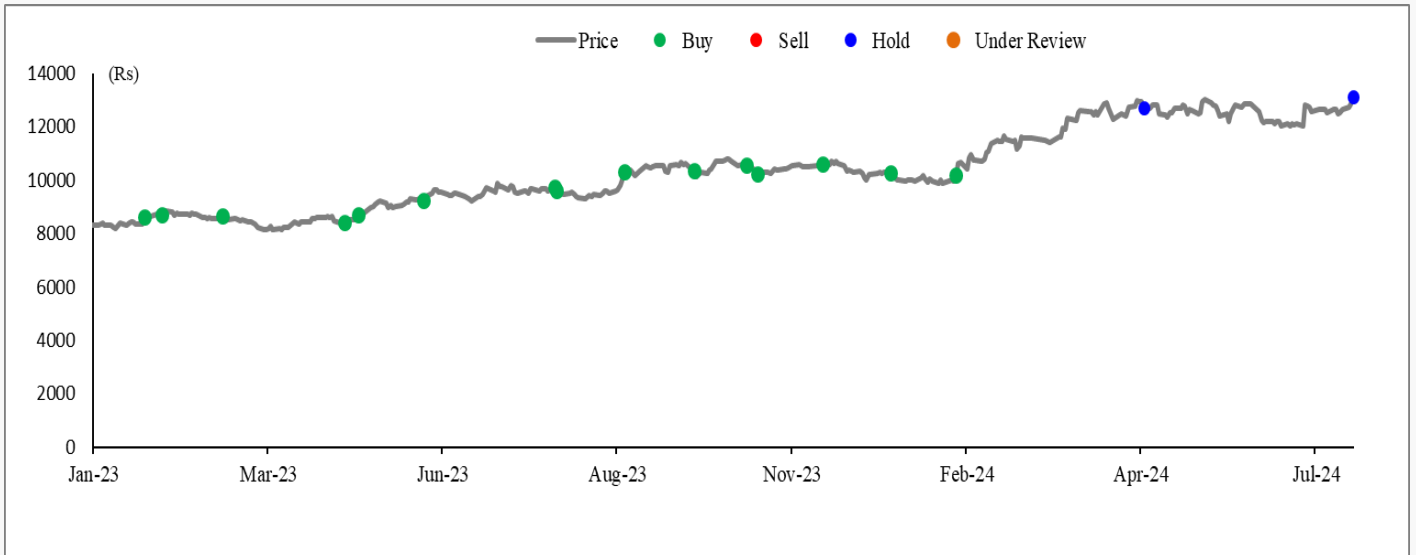
Ratio Analysis

(%)

| Y/E Mar | FY24 | FY25E | FY26E | FY27E |
|---------------------------------|-------|-------|-------|-------|
| Revenue Growth | 19.9 | 8.5 | 11.2 | 11.4 |
| EBITDA Margin | 11.6 | 12.1 | 12.4 | 12.4 |
| Net Profit Margin | 9.4 | 9.4 | 9.8 | 9.6 |
| ROCE (%) | 17.4 | 15.7 | 16.3 | 15.8 |
| ROE (%) | 17.8 | 16.0 | 16.4 | 16.0 |
| EPS (Rs.) | 420.1 | 459.2 | 527.2 | 575.3 |
| PER (x) | 30.0 | 28.7 | 25.0 | 22.9 |
| P/BV (x) | 4.7 | 4.5 | 4.0 | 3.5 |
| EV/ EBITDA (x) | 24.4 | 22.3 | 19.3 | 17.1 |
| Fixed Assets Turnover Ratio (x) | 5.6 | 5.1 | 4.9 | 4.5 |
| Debt / Equity (x) | 0.0 | 0.0 | 0.0 | 0.0 |
| EV/ Sales (x) | 2.8 | 2.7 | 2.4 | 2.1 |

Source: Company, Axis Securities Research

Maruti Suzuki Price Chart and Recommendation History



| Date | Reco | TP | Research |
|-----------|------|--------|---------------|
| 01-Jan-23 | BUY | 10,600 | Top Picks |
| 25-Jan-23 | BUY | 9,750 | Result Update |
| 01-Feb-23 | BUY | 9,760 | Top Picks |
| 01-Mar-23 | BUY | 9,760 | Top Picks |
| 01-Apr-23 | BUY | 9,760 | Top Picks |
| 27-Apr-23 | BUY | 9,400 | Result Update |
| 02-May-23 | BUY | 9,400 | Result Update |
| 01-Jun-23 | BUY | 10,500 | Top Picks |
| 01-Jul-23 | BUY | 10,790 | Top Picks |
| 31-Jul-23 | BUY | 10,810 | Result Update |
| 01-Sep-23 | BUY | 11,800 | Top Picks |
| 01-Aug-23 | BUY | 10,800 | Top Picks |
| 03-Oct-23 | BUY | 11,000 | Top Picks |
| 27-Oct-23 | BUY | 11,800 | Result Update |
| 01-Nov-23 | BUY | 11,800 | Top Picks |
| 01-Dec-23 | BUY | 11,800 | Top Picks |
| 01-Jan-24 | BUY | 11,800 | Top Picks |
| 01-Feb-24 | BUY | 11,550 | Result Update |
| 31-Jan-24 | BUY | 11,550 | Result Update |
| 29-Apr-24 | HOLD | 13,650 | Result Update |
| 01-Aug-24 | HOLD | 14,235 | Result Update |

Source: Axis Securities Research

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| Ratings | Expected absolute returns over 12 – 18 months |
|--------------|--|
| BUY | More than 10% |
| HOLD | Between 10% and -10% |
| SELL | Less than -10% |
| NOT RATED | We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation. |
| UNDER REVIEW | We will revisit our recommendation, valuation and estimates on the stock following recent events |
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