

**CMP: INR 13,617**

**Rating: Accumulate**

**Target Price: INR 15,170**

**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)	41,40,037
52w H/L (INR)	13,390/9,256
Avg Yearly Vol (in 000')	580

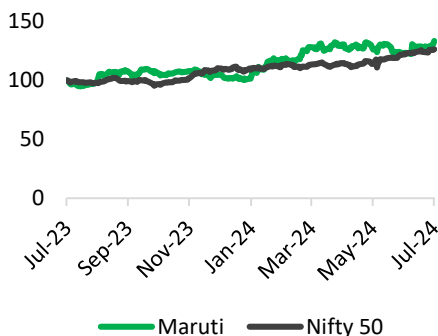
**Shareholding Pattern %**

(As on March, 2024)

Promoters	58.19
Public & Others	41.81

Stock Performance (%)	1m	6m	12m
Maruti Suzuki	8.3	2.4	33.6
Nifty 50	3.4	10.2	26.3

**Maruti Vs Nifty 50**



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Standalone revenue stood at INR 355,314 Mn, above our estimate of INR 352,260 Mn registering a growth of 9% YoY/ down 7.1% QoQ. EBITDA stood at INR 45,023 Mn, above our estimate of INR 41,145 Mn, Registering a de-growth of 3.9%QoQ/ +51% YoY. On the margins front, EBITDA margin up by 42bps QoQ/ +344bps YoY to 12.67%, above with our estimate of 11.7% led by cost reduction efforts, favourable commodity prices and foreign exchange. Standalone PAT saw a down of 5.9%QoQ/ +47% YoY to INR 36,499 Mn above our estimate of INR 33,350 Mn. Volume: The sales in the domestic market stood at 451,308 units, up by 3.8% in Q1FY24. The export sales were at 70,560 units, a growth of 11.6% over Q1FY24.

**Investment Rationale**

**Margin Expansion:** Maruti's EBITDA margin improved significantly to 14.6% in Q1FY25 from 10.2% in Q1FY24. The raw material to net sales ratio improved by 90 bps driven by favorable commodity prices and foreign exchange rates, and cost optimization efforts such as material cost reduction, increased localization, and improved production efficiency. Higher sales volumes and a better product mix, including high-margin models like the new Swift and the growing share of CNG vehicles, also boosted operational income.

**Market Position and Product Strategy:** Maruti Suzuki maintains its leadership in the Indian passenger vehicle market, with a strategic shift towards SUVs and vans. These segments now account for 45% of domestic volumes in Q1FY25, up from 25% in FY19, with management expecting this trend to potentially reach 55-60% of the mix. The company achieved total sales of 521,868 vehicles in Q1 FY25, a 4.8% increase YoY, with domestic sales growing 3.8% to 451,308 units.

**Alternative fuel technologies:** Maruti is diversifying across alternative fuel technologies. One in three cars sold domestically is now a CNG vehicle. The company plans to launch 6 EV models by 2031, with the first unveiling in January 2025. Maruti is also developing hybrid and ethanol flex-fuel vehicles, positioning itself as technology-agnostic to meet future emissions norms.

**Export growth:** Exports showed strong growth of 11.6% YoY in Q1FY25, reaching 70,560 units. Maruti is seeing strong growth in Middle East and Latin American markets. The company's export strategy spans about 100 countries, providing significant geographical diversification to its business and reducing dependence on any single market.

**Outlook and valuation**

MSIL has shown strong performance in Q1FY25 surpassing our estimates, primarily due to product diversification, focus on alternative fuel technologies, and robust export growth position. Favorable exchange rates have improved financial performance. The company is advancing its EV plan with a launch expected in FY25 and is enhancing connected car technologies. Anticipation for increased demand in the festive season is high, supported by a good monsoon. **We value Maruti at 26x FY27E EPS of INR 583.5 for the revised target price of INR 15,170 per share (Earlier TP: 14,003). We upgrade our rating to an Accumulate from Hold earlier.**

**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	31.8	29.8	26.2	22.9
EV/ EBITDA	25.9	22.9	20.2	17.4

Source: Arihant Research, Company Filings

## Maruti Suzuki India Ltd- Q1FY25 Concall KTAs

### **Capacity Expansion**

In April 2024, Maruti Suzuki commissioned an additional vehicle assembly line at its Manesar facility, increasing its total manufacturing capacity to 900,000 vehicles per annum.

### **New Launch**

The fourth generation of the Swift was launched in May 2024. The new Swift features a modern Z series engine and advanced technological features, which have been well-received by consumers.

### **Network Expansion**

Maruti Suzuki has expanded its sales and service network, reaching over 3,000 Arena sales outlets and 5,000 service touch points.

### **Renewable Energy Initiatives**

The company is focusing on increasing the share of sustainable and renewable energy in its operations. It has a captive solar capacity of 43.2 megawatts, aiming to increase it to 78.2 megawatts by FY25. Additionally, a biogas plant at the Manesar facility started operating in June 2024.

### **Sales Performance**

**Vehicle Sales:** The company sold 521,868 vehicles in Q1 FY25, a 4.8% increase compared to the same period last year. Domestic sales were 451,308 units (3.8% growth), and export sales were 70,560 units (11.6% growth).

**CNG Vehicles:** One in every three cars sold in the domestic market was a CNG vehicle.

**Challenges:** Demand was slightly muted due to factors such as a heatwave and elections. The company increased efforts to attract customers through new product launches and increased discount offerings.

### **Margins**

The raw material to net sales ratio improved by 90 bps, largely due to a reversal of a one-off adverse element from the previous quarter, favorable commodity prices, and foreign exchange gains. Operating income also contributed to margin expansion.

**Employee and Advertising Costs:** Employee costs increased due to wage increments, and advertising expenses rose due to the Swift launch and the T20 World Cup.

**Market Conditions:** The domestic market faced some challenges due to high base effects, heatwave, and elections. However, rural demand was stronger than urban demand.

**Export Market:** The company maintained a healthy growth in export sales, with a significant share of India's total passenger vehicle exports. Key growth regions included the Middle East and Latin America.

**Rural Penetration:** Maruti Suzuki continues to strengthen its presence in rural markets, which contributed to 40% of the total domestic sales.

**Compact Segment:** The compact segment remains the largest contributor to sales, driven by models like Swift, Baleno, and WagonR.

## Exhibit 2: Q1FY25 Quarterly Result Snapshot

Standalone (INRm)	Q1FY25	Q4FY24	Q1FY24	QoQ(%)	YoY (%)
Net Sales	3,55,314	3,82,349	3,23,269	-7.1	9.9
- Raw Material	249329	272884	235317	-8.6	6.0
(% of Net Sales)	70.17%	71.37%	72.79%	-1.7	-3.6
- Staff Expenditure	15,576	13,662	14,609	14.0	6.6
(% of Net Sales)	4.38%	3.57%	4.52%	22.7	-3.0
- Other Expenditure	45,386	48,953	43,513	-7.3	4.3
(% of Net Sales)	12.77%	12.80%	13.46%	-0.2	-5.1
Total Expenditure	3,10,291	3,35,499	2,93,439	-7.5	5.7
EBITDA	45,023	46,850	29,830	-3.9	50.9
EBITDA Margin (%)	12.67%	12.25%	9.23%	42bps	344bps
Depreciation	7310	7290	7475	0.3	-2.2
EBIT	37,713	39,560	22,355	-4.7	68.7
EBIT Margin (%)	10.61%	10.35%	6.92%	27bps	370bps
Interest	573	762	465	-24.8	23.2
Other Income	9751	11180	10012	-12.8	-2.6
PBT	46,891	49,978	31,902	-6.2	47.0
Tax	10392	11200	7051	-7.2	47.4
Tax Rate (%)	22.16%	22.41%	22.10%	-25bps	6bps
Adjusted PAT	36,499	38,778	24,851	-5.9	46.9
Exceptional Items	-	-	-		
Reported PAT	36,499	38,778	24,851	-5.9	46.9
Reported EPS (INR)	116.09	123.34	82.27	-5.9	41.1
Volumes (In Nos)	521868	584031	498030	-10.6	4.8
Net Realisation (INR)	6,80,850	6,54,672	6,49,095	4.0	4.9
EBITDA / Vehicle (INR)	86,273	80,218	59,896	7.5	44.0

Source: Arianth Research, Company Filings,

### Exhibit 3: Key Financials

Profit & Loss-Standalone					
Y/E March (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net revenues</b>	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
<b>EBITDA</b>	1,10,192	1,63,601	1,84,350	2,05,450	2,34,665
<b>EBITDA margin (%)</b>	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
<b>Reported Net Profit</b>	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%
<b>Adjusted Net Profit</b>	80,583	1,32,094	1,41,227	1,60,762	1,83,426

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
<b>Shareholders funds</b>	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	-	-	-	-	-
<b>Total Liabilities and Equity</b>	<b>6,16,293</b>	<b>8,65,409</b>	<b>9,62,620</b>	<b>10,74,650</b>	<b>12,06,199</b>
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
<b>Current Assets</b>	<b>1,47,204</b>	<b>1,67,419</b>	<b>2,34,482</b>	<b>3,15,716</b>	<b>4,16,969</b>
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
<b>Total Assets</b>	<b>6,16,293</b>	<b>8,80,438</b>	<b>9,62,620</b>	<b>10,74,650</b>	<b>12,06,199</b>

Source: Arian Research, Company Filings

<b>Cash Flow-Standalone</b>					
<b>Y/E March (INR Mn)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
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)	-	-	-	-
<b>Operating Cash Flow</b>	<b>1,08,725</b>	<b>1,62,317</b>	<b>1,75,322</b>	<b>2,00,805</b>	<b>2,23,780</b>
Change in Working Capital	9,254	(9,076)	(7,732)	297	2,512
<b>Cash flow from Operations</b>	<b>1,17,979</b>	<b>1,53,241</b>	<b>1,67,589</b>	<b>2,01,102</b>	<b>2,26,292</b>
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)
<b>Cash flow from Investing</b>	<b>(1,38,716)</b>	<b>(2,81,069)</b>	<b>(80,500)</b>	<b>(90,500)</b>	<b>(95,500)</b>
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)
<b>Cashflow from Financial Activities</b>	<b>(9,248)</b>	<b>1,17,022</b>	<b>(44,016)</b>	<b>(48,732)</b>	<b>(51,876)</b>
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	<b>377</b>	<b>4,600</b>	<b>32,644</b>	<b>94,514</b>	<b>1,73,431</b>

<b>Key Ratios</b>					
<b>Y/E Mar</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Revenue Growth	33.1	19.9	8.1	11.2	11.7
EBITDA Margin	9.4	11.6	12.1	12.1	12.4
Net Profit Margin	6.9	9.4	9.3	9.5	9.7
ROCE (%)	13.8	17.4	15.5	15.9	16.2
ROE (%)	13.8	17.8	15.6	16.0	16.3
Diluted EPS (INR)	256.3	420.2	449.2	511.4	583.5
PER (x)	32.3	31.8	29.8	26.2	22.9
P/BV (x)	4.3	5.0	4.6	4.1	3.6
EV/ EBITDA (x)	22.8	25.9	22.9	20.2	17.4
Fixed Assets Turnover Ratio (x)	5.7	5.6	5.1	4.9	4.7
Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.1	3.0	2.8	2.5	2.2

Source: Arian Research, Company Filings

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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%

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