

# Maruti Suzuki

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↔ |
| Rating change   | ↔ |

|                       |               |
|-----------------------|---------------|
| Bloomberg             | MSIL IN       |
| Equity Shares (m)     | 314           |
| M.Cap.(INRb)/(USDb)   | 3677.9 / 43   |
| 52-Week Range (INR)   | 13680 / 10725 |
| 1, 6, 12 Rel. Per (%) | -3/2/-16      |
| 12M Avg Val (INR M)   | 6456          |

## Financials & valuations (INR b)

| Y/E MARCH    | 2025  | 2026E | 2027E |
|--------------|-------|-------|-------|
| Sales        | 1,519 | 1,693 | 1,892 |
| EBITDA       | 178   | 189   | 215   |
| Adj. PAT     | 140   | 152   | 169   |
| EPS (INR)*   | 444   | 483   | 539   |
| EPS Gr. (%)  | 5.6   | 8.9   | 11.4  |
| BV/Sh. (INR) | 2,991 | 3,340 | 3,713 |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 14.8 | 14.5 | 14.5 |
| RoCE (%)   | 20.3 | 19.0 | 19.0 |
| Payout (%) | 30.4 | 34.1 | 30.6 |

## Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 26.5 | 24.3 | 21.8 |
| P/BV (x)       | 3.9  | 3.5  | 3.2  |
| EV/EBITDA (x)  | 16.8 | 15.5 | 13.3 |
| Div. Yield (%) | 1.1  | 1.4  | 1.4  |

\*Cons. Adj.

## Shareholding pattern (%)

| As On    | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 58.3   | 58.3   | 58.2   |
| DII      | 23.6   | 23.0   | 19.0   |
| FII      | 15.0   | 15.5   | 19.7   |
| Others   | 3.1    | 3.3    | 3.2    |

FII includes depository receipts

**CMP: INR11,698      TP: INR13,985 (+20%)      Buy**

## Lumpy costs hurt 4Q performance

### Growth to be driven by exports and new launches

- Maruti Suzuki (MSIL)'s 4QFY25 margin came in 110bp below our estimate at 10.5%, largely due to the lumpy nature of multiple costs that affected its performance. However, given lower-than-expected depreciation and higher other income, PAT beat our estimate by 6%. We estimate the impact of such lumpy costs at 90bp for 4Q.
  - While domestic demand remains weak, we expect MSIL to outperform its peers on the back of its new launches. We factor in MSIL to post 7.6% volume CAGR over FY25-27E, led by its new launches and healthy export outlook. Overall, we expect MSIL to deliver a 10% earnings CAGR over FY25-27. At 24.3x FY26E/21.8x FY27E EPS, valuations appear attractive.
- Reiterate BUY with a TP of INR13,985, valued at 26x FY27E EPS.**

### Margins hit by the lumpy nature of several costs

- MSIL's 4Q revenue rose 6% YoY to INR407b, in-line with our estimates.
- The gross margin has been broadly in line with our estimate at 28%.
- The company's 4Q EBITDA margin came in below our estimate at 10.5%, down 180bp YoY/110bp QoQ (est. of 11.6%).
- The key miss was due to a sharp rise in other expenses at 13.8% of revenue (vs. our est. of 12.4%), which included: 1) start-up costs related to a new plant SOP (30bp), 2) an increase in input costs (20bp), 3) an adverse mix (40bp), 4) higher promotional spending (30bp), 5) a few lumpy costs (CSR, repairs & maintenance, and digitization spending) that were incurred in 4QFY25 but will not recur from 1QFY26.
- While most of these are operational costs, given their lumpy nature, these should be considered one-offs for 4QFY25 (on a quarterly run-rate basis). We estimate the impact of such lumpy costs at 90bp for 4Q.
- Depreciation has been lower than estimated at INR8.7b (est. of INR9.8b).
- Even other income has been ahead of our estimate at INR14.5b (est. of INR9.6b) due to hedging gains (+20bp).
- As a result, despite weaker-than-expected operational performance, PAT came in at INR37.1b – ahead of our estimate of INR35b.
- For FY25, MSIL has posted 8% YoY revenue growth led by 5% volume growth and improved ASP. Despite the weak demand and multiple headwinds highlighted above, MSIL has been able to maintain margins at 11.7% for FY25. Overall, MSIL has posted 6% YoY growth in PAT.
- MSIL has declared a dividend of INR135 per share in FY25, up from INR125 in FY24.
- For FY26, MSIL's capex guidance stands at INR80-90b vs. INR84b in FY25. FCF for FY25 stood at INR53b.

### Highlights from the management commentary

- Q4 margins were below estimates primarily due to lumpy nature of certain cost heads that were incurred in the quarter.
- **Domestic outlook:** The industry is likely to grow at a modest 1-2% for FY26E, and MSIL expects to outperform the same, aided by its new launches. MSIL has lined up two new launches: the recently unveiled e-Vitara and one more SUV.
- **Exports outlook:** Management expects its export momentum to sustain even in the coming years. MSIL expects to post at least 20% YoY growth in exports for FY26. One of the key growth drivers for exports for FY26 is expected to be the launch of the e-Vitara in Suzuki and Toyota's key markets. The company targets to sell 70k units of e-Vitara in FY26E, the bulk of them in exports. However, we note that the demand momentum for key export models like Jimny and Fronx is also likely to be strong in the current fiscal.
- Overall, next year's growth is likely to be driven by exports, SUVs, and a further increase in CNG penetration.
- While demand growth drivers are in place, one needs to be cognizant of rising cost pressures, such as an increase in steel costs that is anticipated in the coming quarters.

### Valuation and view

- For FY26, while domestic demand is likely to remain weak, MSIL is expected to outperform peers supported by its new launches. Further, continued export momentum is likely to boost volumes. MSIL anticipates exports to rise at least by 20% in FY26. Hence, we factor in a 7.6% volume CAGR over FY25-27E.
- However, we also factor in a 50bp margin pressure for MSIL for FY26E given the anticipated rise in input costs. Overall, we expect MSIL to deliver a 10% earnings CAGR over FY25-27, driven by new launches and strong export growth. At 24.3x FY26E/21.8x FY27E EPS, its valuations appear attractive. **Reiterate BUY with a TP of INR13,985, valued at 26x FY27E EPS.**

### S/A Quarterly Performance

| Y/E March                     | FY24         |              |              |              | FY25         |              |              |              | FY24         | FY25         | (INR b)     |         |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|---------|
|                               | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |              |              | 4Q          | Var (%) |
| <b>Financial Performance</b>  |              |              |              |              |              |              |              |              |              |              |             |         |
| Volumes ('000 units)          | 498.0        | 552.1        | 501.2        | 583.7        | 521.9        | 541.6        | 566.2        | 604.6        | 2,129.0      | 2,234.3      | 604.6       | 0.0     |
| Change (%)                    | 6.4          | 6.7          | 7.6          | 13.3         | 4.8          | -1.9         | 13.0         | 4.7          | 8.3          | 4.9          | 4.7         |         |
| ASP (INR '000/car)            | 649.1        | 671.3        | 664.6        | 655.1        | 680.9        | 687.0        | 679.8        | 672.7        | 662.0        | 679.9        | 658.6       | 2.1     |
| Change (%)                    | 14.6         | 16.1         | 6.6          | 5.3          | 4.9          | 2.3          | 2.3          | 1.6          | 10.7         | 2.7          | -0.5        |         |
| <b>Net operating revenues</b> | <b>323.3</b> | <b>370.6</b> | <b>333.1</b> | <b>382.3</b> | <b>355.3</b> | <b>372.0</b> | <b>384.9</b> | <b>406.7</b> | <b>1,409</b> | <b>1,519</b> | 398.2       | 2.1     |
| Change (%)                    | 22.0         | 23.8         | 14.7         | 19.3         | 9.9          | 0.4          | 15.6         | 6.4          | 19.9         | 7.8          | 4.1         |         |
| RM Cost (% of sales)          | 72.8         | 70.6         | 70.9         | 71.4         | 70.2         | 71.9         | 71.6         | 71.9         | 71.4         | 71.4         | 72.0        | -10BP   |
| Staff Cost (% of sales)       | 4.5          | 3.5          | 4.0          | 3.6          | 4.4          | 3.9          | 4.0          | 3.9          | 3.9          | 4.0          | 4.0         | -10BP   |
| Other Cost (% of sales)       | 13.5         | 12.9         | 13.3         | 12.8         | 12.8         | 12.3         | 12.8         | 13.8         | 13.1         | 12.8         | 12.4        | 140BP   |
| <b>EBITDA</b>                 | <b>29.8</b>  | <b>47.8</b>  | <b>39.1</b>  | <b>46.9</b>  | <b>45.0</b>  | <b>44.2</b>  | <b>44.7</b>  | <b>42.6</b>  | <b>164</b>   | <b>178</b>   | <b>46.1</b> | -7.6    |
| EBITDA Margins (%)            | 9.2          | 12.9         | 11.7         | 12.3         | 12.7         | 11.9         | 11.6         | 10.5         | 11.6         | 11.7         | 11.6        | -110BP  |
| Depreciation                  | 7.5          | 7.9          | 7.5          | 7.3          | 7.3          | 7.5          | 8.1          | 8.7          | 30.2         | 31.6         | 9.8         |         |
| <b>EBIT</b>                   | <b>22.4</b>  | <b>39.9</b>  | <b>31.6</b>  | <b>39.6</b>  | <b>37.7</b>  | <b>36.7</b>  | <b>36.7</b>  | <b>33.9</b>  | <b>134</b>   | <b>146</b>   | <b>36.3</b> | -6.6    |
| EBIT Margins (%)              | 6.9          | 10.8         | 9.5          | 10.3         | 10.6         | 9.9          | 9.5          | 8.3          | 9.5          | 9.6          | 9.1         |         |
| Interest                      | 0.5          | 0.4          | 0.4          | 0.8          | 0.6          | 0.4          | 0.5          | 0.5          | 1.9          | 1.9          | 0.5         |         |
| Non-Operating Income          | 10.0         | 8.4          | 9.3          | 11.2         | 9.8          | 14.8         | 9.9          | 14.5         | 38.5         | 47.5         | 9.6         |         |
| <b>PBT</b>                    | <b>31.9</b>  | <b>48.0</b>  | <b>40.5</b>  | <b>50.0</b>  | <b>46.9</b>  | <b>42.6</b>  | <b>46.0</b>  | <b>47.9</b>  | <b>170.4</b> | <b>183.5</b> | <b>45.4</b> |         |
| Effective Tax Rate (%)        | 22.1         | 22.6         | 22.8         | 22.4         | 22.2         | 28.0         | 23.4         | 22.6         | 22.5         | 23.9         | 22.7        |         |
| <b>Adjusted PAT</b>           | <b>24.9</b>  | <b>37.2</b>  | <b>31.3</b>  | <b>38.8</b>  | <b>36.5</b>  | <b>36.7</b>  | <b>35.3</b>  | <b>37.1</b>  | <b>132.1</b> | <b>147.9</b> | <b>35.0</b> | 5.9     |
| Change (%)                    | 145.4        | 80.3         | 33.1         | 47.8         | 46.9         | -1.2         | 12.6         | -4.3         | 64.1         | 12.0         | -9.6        |         |

## Key Performance Indicators

| Y/E March                 | FY24  |       |       |       | FY25  |       |       |       | FY24    | FY25    |       |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|---------|---------|-------|
|                           | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    |         |         | 4QE   |
| Dom. PV Market Sh (%)     | 41.5  | 42.7  | 40.2  | 42.3  | 40.8  | 40.3  | 40.7  | 41.7  | 41.7    | 40.9    |       |
| Volumes ('000 units)      | 498.0 | 552.1 | 501.2 | 583.7 | 521.9 | 541.6 | 566.2 | 604.6 | 2,129.0 | 2,234.3 | 604.6 |
| Change (%)                | 6.4   | 6.7   | 7.6   | 13.3  | 4.8   | -1.9  | 13.0  | 4.7   | 8.3     | 4.9     | 4.7   |
| Discounts (INR '000/unit) | 16.2  | 17.7  | 23.3  | 14.5  | 21.7  | 29.3  | 31.0  | 0.0   | 18.0    | 19.5    |       |
| % of Net Realn            | 2.5   | 2.6   | 3.5   | 2.2   | 3.2   | 4.3   | 4.6   | 0.0   | 2.7     | 2.9     |       |
| ASPs (INR '000/unit)      | 649.1 | 671.3 | 664.6 | 655.1 | 680.9 | 687.0 | 679.8 | 672.7 | 662.0   | 679.9   | 658.6 |
| Change (%)                | 14.6  | 16.1  | 6.6   | 5.3   | 4.9   | 2.3   | 2.3   | 1.6   | 10.7    | 2.7     | -0.5  |
| Gross Profit (INR/unit)   | 176.6 | 197.3 | 193.4 | 187.6 | 203.1 | 193.1 | 193.1 | 189.2 | 189.4   | 194.4   | 184.3 |
| EBITDA (INR '000/unit)    | 59.9  | 86.7  | 78.0  | 80.3  | 86.3  | 81.6  | 79.0  | 70.5  | 77.0    | 79.6    | 76.3  |
| EBIT (INR '000/unit)      | 44.9  | 72.3  | 63.0  | 67.8  | 72.3  | 67.7  | 64.7  | 56.1  | 62.8    | 65.5    | 60.1  |



## Highlights from the management commentary

### Key reasons for margin disappointment in 4Q

- MSIL's 4Q margins have been hit by multiple factors which include: 1) start-up costs related to new plant SOP (30bp), 2) increase in input costs (20bp), 3) adverse mix towards higher car sales, lower CNG sales and lower exports (40bp), and 4) higher promotional spending towards Auto Expo and IPL (30bp).
- Further, a few other expenses were lumpy in nature in 4Q (90bp) and included higher CSR, repairs & maintenance, and higher digitization spending incurred during the quarter.
- The impact of higher costs was partially offset by lower discounts QoQ (40bp) and operating leverage benefits (40bp). The estimated discount per vehicle stands reduced to INR24.4k Vs INR30.9k QoQ.

### Why should one consider these one-offs?

- We note that most of the increase in costs for Q4 are operational expenses. However, given the lumpy nature of these expenses, these should be considered one-off for 4QFY25 (on a quarterly run-rate basis).
- For instance, as highlighted above, other expenses rose 90bp in 4Q due to the lumpy nature of a few costs items which include: 1) **CSR spending**: CSR provisioning was sharply higher in 4Q relative to quarterly run-rate and will normalize from Q1 onwards, 2) digitization spending and R&D: higher digitization spending was incurred in 4QFY25, which will not recur in 1QFY26, and 3) repairs & maintenance – most of these expenses usually are incurred in 3Q but got spilled over to 4Q this time, adding to the already elevated costs.
- Further, higher promotional spending towards Auto Expo will not recur in 1Q.
- We estimate the impact of such lumpy costs at 90bp for Q4.

### Factors that one should be wary of from here on

- One has to note that the start-up-related costs of the new plant are likely to continue at least for one more quarter and then normalize as volumes ramp up
- Further, given the safeguard duty imposed on steel imports, steel players have started taking price hikes now. Hence, steel costs are likely to rise in coming quarters, unless the safeguard duty on steel imports is revoked. However, these would be partially offset by the reduction in other commodity costs, including Copper, and price hikes taken by OEMs.

### Key growth drivers from here

- Demand continues to remain weak in the PV industry. The industry is expected to grow at a modest 1-2% for FY26e and MSIL expects to outperform the same on the back of its new launches.
- MSIL has lined up two new launches: the recently unveiled e-Vitara and one more SUV
- For MSIL, strong export growth has helped cushion the weakness in domestic demand. In FY25, MSIL posted an overall 4.9% YoY volume growth largely led by exports which grew 17.5% YoY.
- As per management, this export momentum would be sustained even in the coming years. MSIL expects to post at least 20% YoY export growth for FY26e.
- One of the key growth drivers for exports for FY26E is expected to be the launch of e-Vitara in Suzuki and Toyota's key markets. The company aims to sell 70k units of e-Vitara in FY26E, and the bulk of them through exports.
- However, one has to note that the demand momentum for key export models like Jimny and Fronx is also likely to be strong in the current fiscal.
- Overall, next year's growth is likely to be driven by exports, SUVs, and a further increase in CNG penetration and hence these would help cushion margin headwinds for FY26E.

### Incremental details on operational performance

- Mix was adverse for MSIL for 4Q as SUV contribution for them reduced to 36.8% from 39.7% QoQ, CNG sales contribution came down to 33.7% from 36.1% QoQ. On the other hand, hatchback sales contribution increased to 42.7% from 39% and mini sales mix increased to 7% from 6%
- Management has indicated that the company is fairly localized in terms of steel procurement and it sources ~85-90% of its requirement from domestic markets.
- Forex was also favorable in 4Q and led to a 20bp benefit. However, MSIL has taken this gain in other income given these are hedging gains.

### Other concall highlights

- The PV industry has seen a moderation in growth in FY25 to 2.5% YoY from 8.4% in FY24, reaching annual sales of 4.3mn units. The slowdown has been due to a high base, and affordability issues, especially in the small car segment.
- Management has indicated that almost 88% of the country is not participating in the car growth story which is the reason entry-level cars are not growing.
- SUV preference in India has increased to 55% with another 10% mix coming from MPVs. On the other hand, hatchback contribution has come down to 23.5% in FY25 from 46% in FY19.
- In terms of powertrain mix for the industry, CNG contributed 18%, diesel 19%, hybrid 2.4%, and EV 2.7%.
- MSIL dispatched 24.3% of its domestic sales by rail in FY25, up from 21.5% YoY.
- In India, 7 of the top 10 models sold in FY25 were from MSIL.
- In 4Q, MSIL posted 3.5% YoY growth in total sales largely driven by exports (domestic +2.8%, exports +8.1%).
- MSIL has a 48.4% market share in exports for 4Q. Export revenue for 4Q for MSIL stood at INR55b.

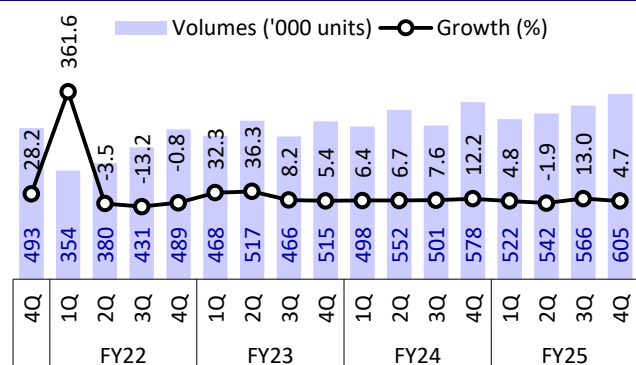
- In the domestic market, MSIL outperformed industry in retails (retail sales of 400k units in 4Q, up 4.2% YoY) and has gained marginal market share.
- For MSIL, rural has seen better growth than urban, both for 4Q and for FY25.
- MSIL entered 4Q with a very lean stock of 9 days. This helped the company push wholesales in 4Q and it has got the stock to normal levels of 28 days by the end of Mar'25.
- Royalty stood at 3.5% of revenue.
- The company's subsidiary, SMG, posted INR1.5b PAT in FY25.
- Discussions around CAFÉ norms are in the final stages and management expects the policy to be rolled out within the next couple of months.
- MSIL continues to have a multi-fuel strategy to achieve emission regulations. Management has indicated that the cost of decarbonization is expected to be the lowest for MSIL relative to peers.

## Key exhibits

**Exhibit 1: Trend in volumes**

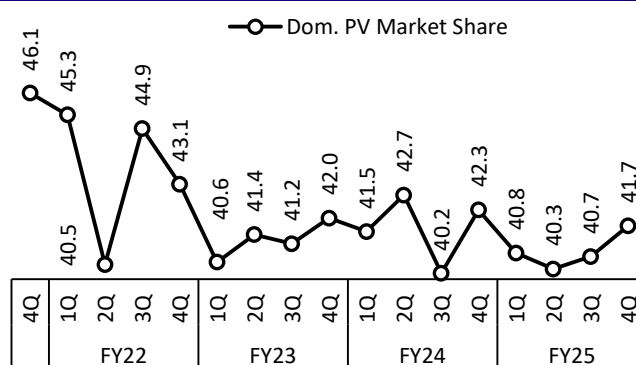
| ('000 units)                | 4QFY25       | 4QFY24       | YoY (%)      | 3QFY25       | QoQ (%)      |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Mini                        | 36.1         | 42.5         | -14.9        | 27.9         | 29.7         |
| % of total                  | 6.0          | 7.3          |              | 4.9          |              |
| MPV+LCVs                    | 42.3         | 46.3         | -8.6         | 42.8         | -1.0         |
| % of total                  | 7.0          | 7.9          |              | 7.6          |              |
| Compact incl Dzire tour     | 247.3        | 233.4        | 6.0          | 209.3        | 18.1         |
| % of total                  | 40.9         | 40.0         |              | 37.0         |              |
| Mid-size                    | 2.5          | 1.4          | 77.2         | 1.7          | 47.7         |
| % of total                  | 0.4          | 0.2          |              | 0.3          |              |
| UV                          | 191.2        | 181.7        | 5.2          | 185.3        | 3.2          |
| % of total                  | 31.6         | 31.1         |              | 32.7         |              |
| Exports                     | 85.1         | 78.7         | 8.1          | 99.2         | -14.2        |
| % of total                  | 14.1         | 13.5         |              | 17.5         |              |
| <b>Total Sales</b>          | <b>604.6</b> | <b>584.0</b> | <b>3.5</b>   | <b>566.2</b> | <b>6.8</b>   |
| <b>Total Dom. PV MS (%)</b> | <b>41.7</b>  | <b>42.3</b>  | <b>-50bp</b> | <b>40.7</b>  | <b>100bp</b> |

**Exhibit 2: MSIL volume trends**



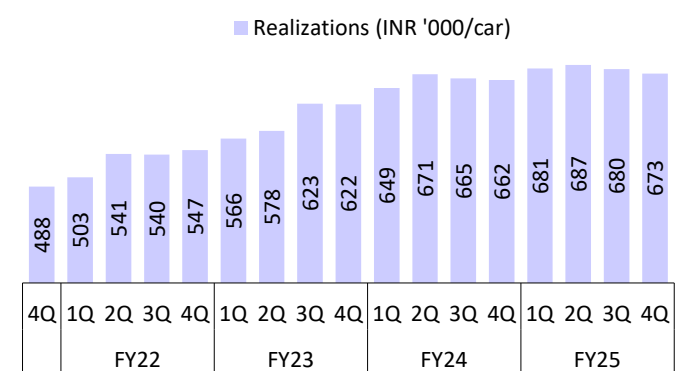
Source: Company, MOFSL

**Exhibit 3: MSIL's domestic PV market share trends (%)**



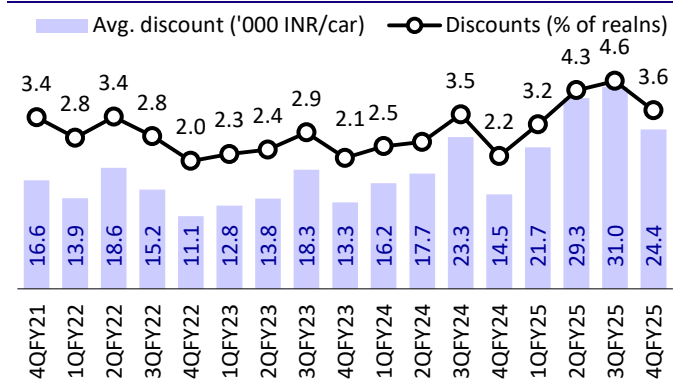
Source: Company, MOFSL

**Exhibit 4: Trend in realization per unit**



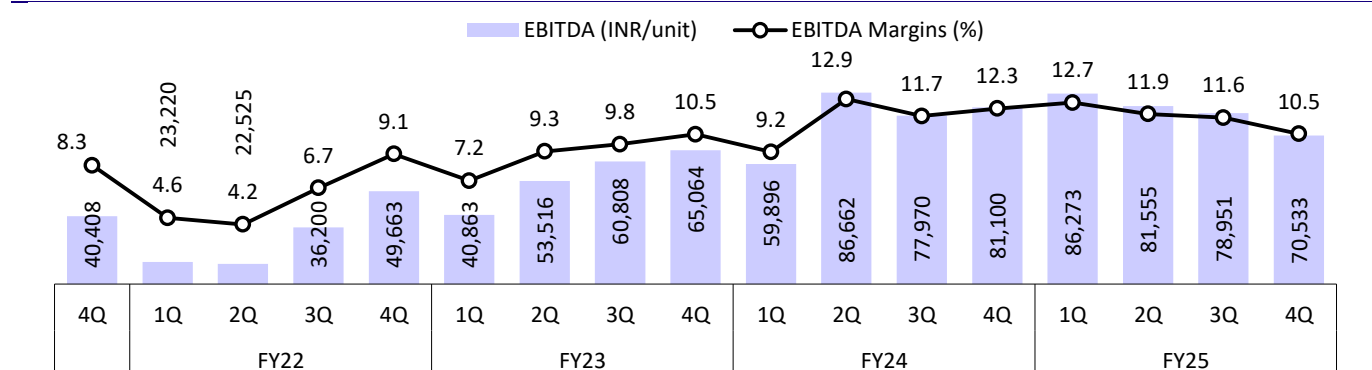
Source: Company, MOFSL

**Exhibit 5: Trend in average discounts per unit**



Source: Company, MOFSL

**Exhibit 6: Trends in EBITDA and EBITDA margin**



Source: Company, MOFSL

## Valuation and view

- **New launches to help gain share in UVs:** According to media reports, MSIL is expected to launch six new models in the next three to four years in its focus segments within SUVs. Thus, MSIL is well placed to gain market share even in UVs in the coming years, thereby allaying investor concerns around the same. Management has indicated that it has two new launches (e-Vitara and one new SUV) lined up for FY26E. We factor in an 11.6% revenue CAGR for MSIL, which is likely to be driven by a 7.6% volume CAGR over FY25-27E.
- **Exports likely to remain a key growth driver:** MSIL aims to achieve exports of 750-800k units by FY31, which will translate into a 15% volume CAGR during the same period. To achieve this target, MSIL is taking several initiatives: 1) introducing more models in its markets, with Fronx and Jimny emerging as its top two export models; 2) making India the export hub for Suzuki's EVs, starting with the upcoming eVX launch, and planning to launch six EVs by FY31; 3) expanding into more markets – Fronx was the first MSIL SUV to be launched in Japan and is receiving a positive response; and 4) further ramping up its distribution network. Management has indicated that the export momentum will continue, and it expects exports to post at least 20% growth in FY26E.
- **MSIL's multi-tech approach augurs well for India:** While EV adoption appears to be the preferred bet to meet upcoming emissions compliance, we think India is not yet ready to transition to EVs anytime soon. Given this, MSIL's multi-tech approach seems best suited to meet emission compliance in India. In CNG, the company is a market leader in PVs, with CNG's contribution rising to 24% in



FY24, reaching 450k units. Further, the company has also introduced strong hybrids in Grand Vitara and Invicto in partnership with Toyota and plans to launch Suzuki's low-cost hybrid tech in India for low-end models. Also, in EVs, MSIL targets to achieve scale by initially focusing on exports first and gradually ramping up its presence in the domestic market as EV demand improves. The company is also working on vehicles compliant with flex fuels. Additionally, MSIL would emerge as the major beneficiary if the government considers a tax subsidy on any of these clean technologies (hybrid or flex fuels).

- **India will continue to have a healthy mix of cars in the long run:** Before writing off the car segment, it is important to consider that India has a large population of 2W customers aspiring to own their first car. Further, family nuclearization is driving household growth, which should further boost demand for cars in the coming years. Cars are likely to remain relevant in India due to their compact size, fuel efficiency, and versatility, making them the ideal choice for first-time buyers. While we believe that the small car segment might not reach its previous peak, we expect its contribution to stabilize at the current level, if not grow, in the near term. When this happens, MSIL is expected to emerge as a major beneficiary, given its dominant position in this segment with close to 67% market share.
- **Valuation and view:** For FY26, we see multiple launch tailwinds for MSIL, such as the e-Vitara, one new SUV and hybrid variants. Further, the company anticipates exports to continue its growth momentum and rise at least 20% in FY26. MSIL expects to deliver 70k units of e-Vitara in FY26E, the bulk of which would be in exports. Further, any favorable policy for hybrids by the govt. may drive a re-rating, as MSIL would be the key beneficiary of the same. However, we factor in 50bp margin pressure for MSIL in FY26E given the anticipated rise in input costs. Overall, we expect MSIL to deliver a 10% earnings CAGR over FY25-27E, driven by new launches and strong export growth. At 24.3x FY26E/21.8x FY27E EPS, MSIL's valuations appear attractive. **Reiterate BUY with a TP of INR13,985, valued at 26x FY27E EPS.**

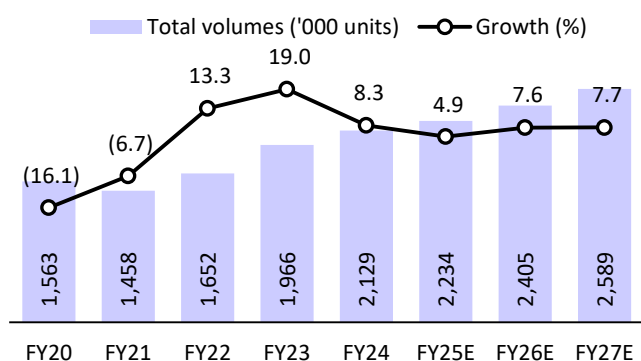
#### Exhibit 7: Our revised estimates

| (INR b)              | FY25E |       |         | FY26E |       |         |
|----------------------|-------|-------|---------|-------|-------|---------|
|                      | Rev   | Old   | Chg (%) | Rev   | Old   | Chg (%) |
| Total Volumes ('000) | 2,405 | 2,384 | 0.8     | 2,589 | 2,559 | 1.2     |
| Net Sales            | 1,693 | 1,675 | 1.0     | 1,892 | 1,870 | 1.2     |
| EBITDA               | 189   | 191   | -1.2    | 215   | 215   | 0.1     |
| EBITDA Margin (%)    | 11.2  | 11.4  | -30bp   | 11.4  | 11.5  | -10bp   |
| PAT                  | 152.0 | 153.9 | -1.2    | 169.3 | 170.1 | -0.5    |
| EPS (INR)            | 483.5 | 489.4 | -1.2    | 538.5 | 541.0 | -0.5    |

Source: Company, MOFSL

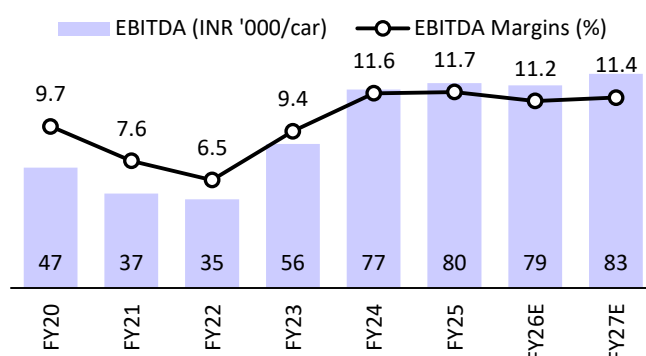
## Story in charts

**Exhibit 8: Trends in volume and growth**



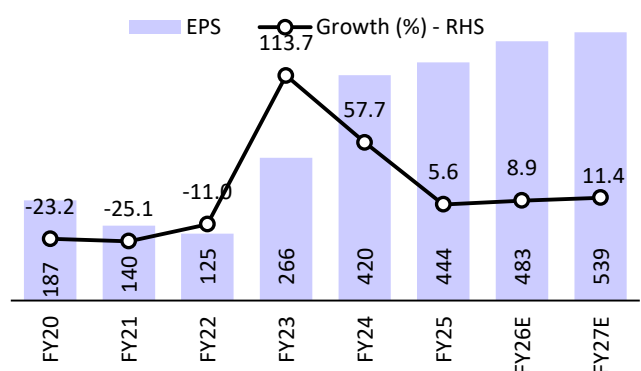
Source: Company, MOFSL

**Exhibit 9: EBITDA margin and EBITDA per car**



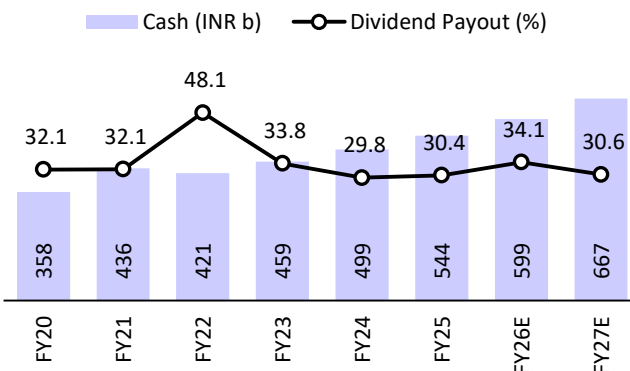
Source: Company, MOFSL

**Exhibit 10: EPS (INR) and growth in EPS**



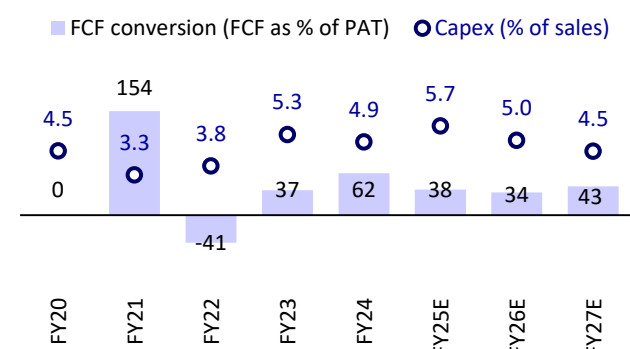
Source: MOFSL, Company

**Exhibit 11: Dividend payout (%) and cash balance (INR b)**



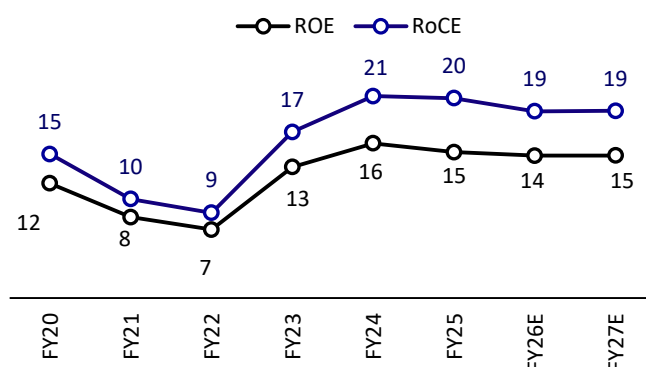
Source: MOFSL, Company

**Exhibit 12: Expect FCF conversion to recover**



Source: Company, MOFSL

**Exhibit 13: RoE vs. RoCE (%)**



Source: Company, MOFSL

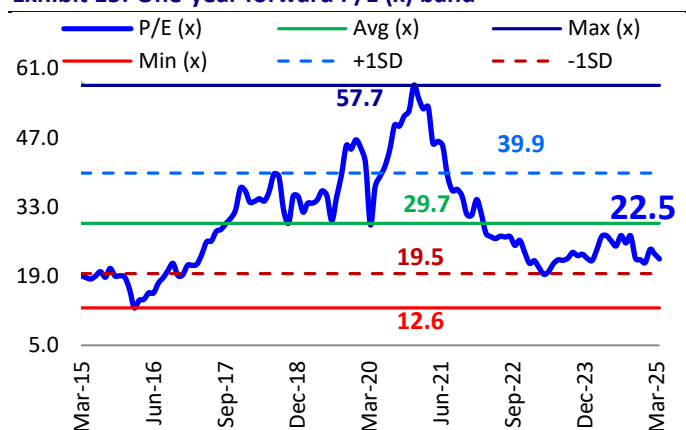


**Exhibit 14: Snapshot of the revenue model**

| 000 units                 | FY20         | FY21         | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| A1/LCVs                   | 22           | 30           | 34           | 38           | 34           | 34           | 36           | 38           |
| Growth (%)                | -8.8         | 35.7         | 14.4         | 12.4         | -11.2        | 2.2          | 5.0          | 5.0          |
| % of Dom vols             | 1.5          | 2.2          | 2.4          | 2.2          | 1.8          | 1.8          | 1.8          | 1.8          |
| MPV (Vans)                | 118          | 105          | 108          | 131          | 137          | 136          | 141          | 147          |
| Growth (%)                | -33.7        | -11.3        | 3.1          | 21.1         | 4.5          | -1.1         | 4.0          | 4.0          |
| % of Dom vols             | 8.1          | 7.7          | 7.7          | 7.7          | 7.4          | 7.1          | 7.1          | 7.0          |
| A2 (other hatchbacks)     | 881          | 840          | 810          | 985          | 858          | 780          | 780          | 782          |
| Growth (%)                | -10.8        | -4.6         | -3.6         | 21.7         | -12.9        | -9.0         | -0.1         | 0.3          |
| % of Dom vols             | 60.3         | 61.7         | 57.3         | 57.7         | 46.5         | 41.0         | 39.0         | 37.2         |
| A3 (Dzire, Ciaz)          | 204          | 142          | 145          | 164          | 175          | 173          | 180          | 183          |
| Growth (%)                | -31.9        | -30.5        | 1.8          | 13.4         | 6.6          | -0.8         | 3.6          | 1.7          |
| % of Dom vols             | 14.0         | 10.4         | 10.2         | 9.6          | 9.5          | 9.1          | 9.0          | 8.7          |
| UVs                       | 235          | 245          | 317          | 388          | 642          | 778          | 861          | 955          |
| Growth (%)                | -10.9        | 4.3          | 29.3         | 22.4         | 65.4         | 21.1         | 10.7         | 10.9         |
| % of Dom vols             | 16.1         | 18.0         | 22.4         | 22.8         | 34.8         | 40.9         | 43.1         | 45.4         |
| <b>Total Domestic</b>     | <b>1,460</b> | <b>1,362</b> | <b>1,414</b> | <b>1,707</b> | <b>1,846</b> | <b>1,902</b> | <b>1,998</b> | <b>2,104</b> |
| Growth (%)                | -16.7        | -6.7         | 3.8          | 20.7         | 8.1          | 3.0          | 5.0          | 5.3          |
| % of Total vols           | 93.5         | 93.4         | 85.6         | 86.8         | 86.7         | 85.1         | 83.1         | 81.3         |
| Exports                   | 102          | 96           | 238          | 259          | 283          | 333          | 407          | 485          |
| Growth (%)                | -6           | -6           | 148          | 9            | 9            | 17           | 22           | 19           |
| % of Total vols           | 7            | 7            | 14           | 13           | 13           | 15           | 17           | 19           |
| <b>Total Volumes</b>      | <b>1,563</b> | <b>1,458</b> | <b>1,652</b> | <b>1,966</b> | <b>2,129</b> | <b>2,234</b> | <b>2,405</b> | <b>2,589</b> |
| Growth (%)                | -16.1        | -6.7         | 13.3         | 19.0         | 8.3          | 4.9          | 7.6          | 7.7          |
| <b>ASP (INR 000/unit)</b> | <b>484</b>   | <b>482</b>   | <b>534</b>   | <b>598</b>   | <b>662</b>   | <b>680</b>   | <b>704</b>   | <b>731</b>   |
| Growth (%)                | 4.8          | -0.3         | 10.8         | 11.9         | 10.7         | 2.7          | 3.5          | 3.8          |
| <b>Net Sales (INR b)</b>  | <b>756</b>   | <b>703</b>   | <b>883</b>   | <b>1,175</b> | <b>1,409</b> | <b>1,519</b> | <b>1,693</b> | <b>1,892</b> |
| Growth (%)                | -12          | -7           | 26           | 33           | 20           | 8            | 11           | 12           |

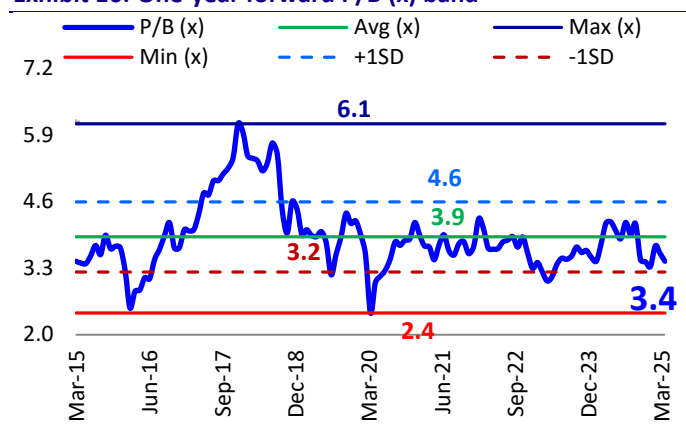
Source: MOFSL, Company

**Exhibit 15: One-year forward P/E (x) band**



Source: MOFSL

**Exhibit 16: One-year forward P/B (x) band**



Source: MOFSL

## Financials and valuations

### Standalone Income Statement

(InR m)

| Y/E March              | 2020            | 2021            | 2022            | 2023             | 2024             | 2025             | 2026E            | 2027E            |
|------------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>Net Op Income</b>   | <b>7,56,106</b> | <b>7,03,325</b> | <b>8,82,956</b> | <b>11,75,229</b> | <b>14,09,326</b> | <b>15,19,001</b> | <b>16,92,697</b> | <b>18,91,897</b> |
| Change (%)             | -12.1           | -7.0            | 25.5            | 33.1             | 19.9             | 7.8              | 11.4             | 11.8             |
| <b>EBITDA</b>          | <b>73,026</b>   | <b>53,453</b>   | <b>57,012</b>   | <b>1,10,077</b>  | <b>1,64,011</b>  | <b>1,77,852</b>  | <b>1,89,088</b>  | <b>2,15,235</b>  |
| EBITDA Margins (%)     | 9.7             | 7.6             | 6.5             | 9.4              | 11.6             | 11.7             | 11.2             | 11.4             |
| Depreciation           | 35,257          | 30,315          | 27,865          | 28,233           | 30,223           | 31,593           | 35,215           | 39,707           |
| <b>EBIT</b>            | <b>37,769</b>   | <b>23,138</b>   | <b>29,147</b>   | <b>81,844</b>    | <b>1,33,788</b>  | <b>1,46,259</b>  | <b>1,53,873</b>  | <b>1,75,528</b>  |
| EBIT Margins (%)       | 5.0             | 3.3             | 3.3             | 7.0              | 9.5              | 9.6              | 9.1              | 9.3              |
| Interest               | 1,329           | 1,008           | 1,259           | 1,866            | 1,932            | 1,931            | 1,950            | 1,970            |
| Other Income           | 34,208          | 29,464          | 17,935          | 21,613           | 38,548           | 47,504           | 48,084           | 49,211           |
| EO Expense             | 0               | 0               | 0               | 0                | 0                | 0                | 0                | 0                |
| <b>PBT</b>             | <b>70,648</b>   | <b>51,594</b>   | <b>45,823</b>   | <b>1,01,591</b>  | <b>1,70,404</b>  | <b>1,91,832</b>  | <b>2,00,006</b>  | <b>2,22,769</b>  |
| Effective tax Rate (%) | 20.0            | 18.0            | 17.8            | 20.8             | 22.5             | 27.3             | 24.0             | 24.0             |
| <b>PAT</b>             | <b>56,506</b>   | <b>42,297</b>   | <b>37,663</b>   | <b>80,492</b>    | <b>1,32,094</b>  | <b>1,39,552</b>  | <b>1,52,005</b>  | <b>1,69,305</b>  |
| <b>Adj. PAT</b>        | <b>56,506</b>   | <b>42,297</b>   | <b>37,663</b>   | <b>80,492</b>    | <b>1,32,094</b>  | <b>1,39,552</b>  | <b>1,52,005</b>  | <b>1,69,305</b>  |
| Change (%)             | -23.2           | -25.1           | -11.0           | 113.7            | 64.1             | 5.6              | 8.9              | 11.4             |

### Standalone Balance Sheet

(InR m)

| Y/E March                       | 2020            | 2021            | 2022            | 2023            | 2024            | 2025            | 2026E            | 2027E            |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| <b>Sources of Funds</b>         |                 |                 |                 |                 |                 |                 |                  |                  |
| Share Capital                   | 1,510           | 1,510           | 1,510           | 1,510           | 1,572           | 1,572           | 1,572            | 1,572            |
| Reserves                        | 4,82,860        | 5,12,158        | 5,39,350        | 6,02,310        | 8,38,248        | 9,38,895        | 10,48,456        | 11,65,884        |
| <b>Net Worth</b>                | <b>4,84,370</b> | <b>5,13,668</b> | <b>5,40,860</b> | <b>6,03,820</b> | <b>8,39,820</b> | <b>9,40,467</b> | <b>10,50,028</b> | <b>11,67,456</b> |
| Loans                           | 1,063           | 4,888           | 3,819           | 12,158          | 331             | 0               | 0                | 0                |
| Deferred Tax Liability          | 5,984           | 3,847           | -2,027          | -3,411          | -1,124          | 12,911          | 12,911           | 12,911           |
| <b>Capital Employed</b>         | <b>4,91,417</b> | <b>5,22,403</b> | <b>5,42,652</b> | <b>6,12,567</b> | <b>8,39,027</b> | <b>9,53,378</b> | <b>10,62,939</b> | <b>11,80,367</b> |
| <b>Application of Funds</b>     |                 |                 |                 |                 |                 |                 |                  |                  |
| Gross Fixed Assets              | 2,97,260        | 3,14,553        | 3,24,892        | 3,89,704        | 4,22,982        | 5,16,690        | 6,19,283         | 7,04,283         |
| Less: Depreciation              | 1,40,157        | 1,64,983        | 1,87,719        | 2,11,655        | 2,38,029        | 2,69,622        | 3,04,837         | 3,44,544         |
| <b>Net Fixed Assets</b>         | <b>1,57,103</b> | <b>1,49,570</b> | <b>1,37,173</b> | <b>1,78,049</b> | <b>1,84,953</b> | <b>2,47,068</b> | <b>3,14,446</b>  | <b>3,59,739</b>  |
| Capital WIP                     | 14,083          | 14,898          | 29,294          | 28,970          | 65,339          | 57,593          | 40,000           | 40,000           |
| Investments                     | 3,64,705        | 4,47,908        | 4,37,675        | 4,77,607        | 6,85,180        | 7,17,960        | 7,70,960         | 8,38,960         |
| <b>Curr.Assets, Loans</b>       | <b>84,361</b>   | <b>82,902</b>   | <b>1,22,345</b> | <b>1,38,021</b> | <b>1,60,813</b> | <b>2,28,838</b> | <b>2,43,122</b>  | <b>2,71,402</b>  |
| Inventory                       | 32,149          | 30,500          | 35,331          | 42,838          | 41,196          | 51,230          | 69,563           | 77,749           |
| Sundry Debtors                  | 21,270          | 12,766          | 20,301          | 32,958          | 46,013          | 65,377          | 46,375           | 51,833           |
| Cash & Bank Balances            | 182             | 323             | 320             | 334             | 4,557           | 780             | 2,411            | 2,125            |
| Loans & Advances                | 5,246           | 6,642           | 307             | 299             | 328             | 432             | 432              | 432              |
| Others                          | 25,514          | 32,671          | 66,086          | 61,592          | 68,719          | 1,11,019        | 1,24,341         | 1,39,262         |
| <b>Current Liab &amp; Prov.</b> | <b>1,28,835</b> | <b>1,72,875</b> | <b>1,83,835</b> | <b>2,10,080</b> | <b>2,57,258</b> | <b>2,98,081</b> | <b>3,05,590</b>  | <b>3,29,733</b>  |
| Sundry Creditors                | 74,941          | 1,01,617        | 97,610          | 1,17,804        | 1,45,824        | 1,74,211        | 1,85,501         | 2,07,331         |
| Others                          | 44,889          | 60,252          | 71,104          | 75,939          | 91,329          | 1,00,193        | 1,00,193         | 1,00,193         |
| Provisions                      | 9,005           | 11,006          | 15,121          | 16,337          | 20,105          | 23,677          | 19,895           | 22,209           |
| <b>Net Current Assets</b>       | <b>-44,474</b>  | <b>-89,973</b>  | <b>-61,490</b>  | <b>-72,059</b>  | <b>-96,445</b>  | <b>-69,243</b>  | <b>-62,467</b>   | <b>-58,331</b>   |
| <b>Appl. of Funds</b>           | <b>4,91,417</b> | <b>5,22,403</b> | <b>5,42,652</b> | <b>6,12,567</b> | <b>8,39,027</b> | <b>9,53,378</b> | <b>10,62,939</b> | <b>11,80,367</b> |

E: MOFSL Estimates

## Financials and valuations

### Ratios

| Y/E March                       | 2020         | 2021         | 2022         | 2023         | 2024         | 2025         | 2026E        | 2027E        |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Basic (INR)</b>              |              |              |              |              |              |              |              |              |
| <b>Adjusted EPS</b>             | <b>187.1</b> | <b>140.0</b> | <b>124.7</b> | <b>266.5</b> | <b>420.1</b> | <b>443.9</b> | <b>483.5</b> | <b>538.5</b> |
| Cash EPS                        | 303.8        | 240.4        | 216.9        | 359.9        | 516.3        | 544.4        | 595.5        | 664.8        |
| Book Value per Share            | 1,603        | 1,700        | 1,790        | 1,999        | 2,671        | 2,991        | 3,340        | 3,713        |
| DPS                             | 60.0         | 45.0         | 60.0         | 90.0         | 125.0        | 135.0        | 165.0        | 165.0        |
| Div. payout (%)                 | 32.1         | 32.1         | 48.1         | 33.8         | 29.8         | 30.4         | 34.1         | 30.6         |
| <b>Valuation (x)</b>            |              |              |              |              |              |              |              |              |
| P/E                             | 62.9         | 84.0         | 94.3         | 44.1         | 28.0         | 26.5         | 24.3         | 21.8         |
| Cash P/E                        | 38.7         | 48.9         | 54.2         | 32.7         | 22.8         | 21.6         | 19.8         | 17.7         |
| EV/EBITDA                       | 43.7         | 58.2         | 54.7         | 28.0         | 18.3         | 16.8         | 15.5         | 13.3         |
| EV/Sales                        | 4.4          | 4.7          | 3.7          | 2.7          | 2.2          | 2.1          | 1.8          | 1.6          |
| P/BV                            | 7.3          | 6.9          | 6.6          | 5.9          | 4.4          | 3.9          | 3.5          | 3.2          |
| Dividend Yield (%)              | 0.5          | 0.4          | 0.5          | 0.8          | 1.1          | 1.1          | 1.4          | 1.4          |
| FCF Yield (%)                   | 0.0          | 1.8          | -0.4         | 0.8          | 2.2          | 1.4          | 1.4          | 2.0          |
| <b>Profitability Ratios (%)</b> |              |              |              |              |              |              |              |              |
| RoIC                            | 26.5         | 18.9         | 26.8         | 54.2         | 73.1         | 55.4         | 44.6         | 42.4         |
| RoE                             | 11.7         | 8.2          | 7.0          | 13.3         | 15.7         | 14.8         | 14.5         | 14.5         |
| RoCE                            | 14.6         | 10.1         | 8.7          | 16.9         | 20.5         | 20.3         | 19.0         | 19.0         |
| <b>Turnover Ratios</b>          |              |              |              |              |              |              |              |              |
| Debtors (Days)                  | 11           | 7            | 9            | 11           | 12           | 16           | 10           | 10           |
| Inventory (Days)                | 17           | 17           | 16           | 15           | 12           | 14           | 17           | 17           |
| Creditors (Days)                | 51           | 73           | 54           | 50           | 53           | 59           | 56           | 56           |
| Work. Cap. (Days)               | -23          | -49          | -29          | -24          | -28          | -28          | -28          | -28          |
| Asset Turnover (x)              | 1.5          | 1.3          | 1.6          | 1.9          | 1.7          | 1.6          | 1.6          | 1.6          |
| <b>Leverage Ratio</b>           |              |              |              |              |              |              |              |              |
| Net Debt/Equity (x)             | -0.7         | -0.8         | -0.8         | -0.7         | -0.6         | -0.6         | -0.6         | -0.6         |

### Standalone Cash Flow Statement

| Y/E March                     | 2020           | 2021           | 2022           | 2023           | 2024             | 2025             | 2026E           | 2027E            |
|-------------------------------|----------------|----------------|----------------|----------------|------------------|------------------|-----------------|------------------|
| <b>(INR m)</b>                |                |                |                |                |                  |                  |                 |                  |
| Profit before Tax             | 70,948         | 51,594         | 45,823         | 1,01,591       | 1,70,404         | 1,70,404         | 2,00,006        | 2,22,769         |
| Interest                      | 1,329          | 1,008          | 1,259          | 1,866          | 1,932            | 1,931            | 1,950           | 1,970            |
| Depreciation                  | 35,257         | 30,315         | 27,865         | 28,233         | 30,223           | 31,593           | 35,215          | 39,707           |
| Direct Taxes Paid             | -14,357        | -10,107        | -11,769        | -22,313        | -35,557          | -37,818          | -48,001         | -53,465          |
| (Inc)/Dec in WC               | -25,659        | 43,352         | -28,098        | 3,787          | 22,777           | -1,052           | -5,145          | -4,421           |
| Other Items                   | -33,467        | -27,774        | -17,168        | -20,884        | -38,109          | -24,934          | -48,084         | -49,211          |
| <b>CF from Oper. Activity</b> | <b>34,051</b>  | <b>88,388</b>  | <b>17,912</b>  | <b>92,280</b>  | <b>1,51,670</b>  | <b>1,40,124</b>  | <b>1,35,941</b> | <b>1,57,349</b>  |
| (Inc)/Dec in FA               | -33,990        | -23,279        | -33,227        | -62,474        | -69,637          | -87,005          | -85,000         | -85,000          |
| <b>Free Cash Flow</b>         | <b>61</b>      | <b>65,109</b>  | <b>-15,315</b> | <b>29,806</b>  | <b>82,033</b>    | <b>53,119</b>    | <b>50,941</b>   | <b>72,349</b>    |
| (Pur)/Sale of Invest.         | 29,351         | -49,560        | 31,337         | -17,708        | -37,191          | -15,410          | -4,916          | -18,789          |
| <b>CF from Inv. Activity</b>  | <b>-4,639</b>  | <b>-72,839</b> | <b>-1,890</b>  | <b>-80,182</b> | <b>-1,06,828</b> | <b>-1,02,415</b> | <b>-89,916</b>  | <b>-1,03,789</b> |
| Change in Networth            | 0              | 0              | 0              | 0              | 0                | 0                | 0               | 0                |
| Inc/(Dec) in Debt             | -524           | 3,723          | -1,140         | 7,895          | -11,960          | -529             | 0               | 0                |
| Interest Paid                 | -1,342         | -1,006         | -1,291         | -1,854         | -1,472           | -1,657           | -1,950          | -1,970           |
| Dividends Paid                | -29,134        | -18,125        | -13,594        | -18,125        | -27,187          | -39,300          | -42,444         | -51,876          |
| <b>CF from Fin. Activity</b>  | <b>-31,000</b> | <b>-15,408</b> | <b>-16,025</b> | <b>-12,084</b> | <b>-40,619</b>   | <b>-41,486</b>   | <b>-44,394</b>  | <b>-53,846</b>   |
| <b>Inc/(Dec) in Cash</b>      | <b>-1,588</b>  | <b>141</b>     | <b>-3</b>      | <b>14</b>      | <b>4,223</b>     | <b>-3,777</b>    | <b>1,631</b>    | <b>-285</b>      |
| Add: Op. Balance              | 1,770          | 182            | 323            | 320            | 334              | 4,557            | 780             | 2,411            |
| <b>Closing Balance</b>        | <b>182</b>     | <b>323</b>     | <b>320</b>     | <b>334</b>     | <b>4,557</b>     | <b>780</b>       | <b>2,411</b>    | <b>2,125</b>     |

E: MOFSL Estimates

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## NOTES

| Explanation of Investment Rating |                                                                                              |
|----------------------------------|----------------------------------------------------------------------------------------------|
| Investment Rating                | Expected return (over 12-month)                                                              |
| BUY                              | >=15%                                                                                        |
| SELL                             | < - 10%                                                                                      |
| NEUTRAL                          | < - 10 % to 15%                                                                              |
| UNDER REVIEW                     | Rating may undergo a change                                                                  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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