BUY
TP: Rs 14,574 | ⮝ 16%

MARUTI SUZUKI | Automobiles | 01 August 2025

Well-oiled to drive the bumpy ride

- **Prudent export mix of ~18% partially offsets domestic market challenges help revenue growth of 8% YoY as realisation gains**
- **Commodity costs inflation and venturing into EVs hit gross margin YoY. Overall cost efficiencies likely to normalize over the medium term**
- **Tweak EBITDA factoring in mild volume impact. Introduce FY28E and, value MSIL at 25x P/E with revised TP of Rs 14,574. Maintain BUY**

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Topline steady as prudent export mix helps realisation gains: MSIL reported steady topline growth in Q1FY26, with revenues rising 8% YoY (fell 6% QoQ) to ~Rs 384bn. The growth was driven by a robust jump in blended realisation, growing by ~ 7%/8% YoY/QoQ to NRPV of Rs 727k. Contribution from the high-end utility vehicle (UV) segment rose to 38%, up from 36%/37% in Q1FY25/Q4FY25. Exports gained a healthy pace, contributing 18.4% to sales vs 13.5%/14.9% in Q1FY25/Q4FY25; reflecting MSIL's growing presence in overseas markets.

Operating margin withers on adverse commodity and overall cost inflation: Raw material costs, adjusted for inventory, jumped by 11% YoY but fell by 5% QoQ, rising to 72.2% (of sales) in Q1FY26, compared to 70.2%/71.9% in Q1FY25 and 71.9% in Q4FY25, driven by higher commodity prices despite a favorable sales mix. Consequently, gross margins contracted ~202 basis points YoY to 27.8%, compared to 29.8% in Q1FY25 (mild softness from 28.1% in Q4FY25). Other operating expenses added 10% YoY/QoQ to ~Rs 50bn, though down by 80 bps YoY to 13% (as % of sales). Staff expenses also rose by 14%YoY, adding pressure on margins.

Capacity expansion plans: MSIL has allocated a capex of ~ Rs 100bn for FY26, excluding Suzuki Motor Gujarat (SMG), and has signed an MoU with the Gujarat government to commission a 1mn unit plant by FY29, with a planned capex of Rs 350bn. MSIL plans to launch two new models in FY26, including the electric Grand Vitara and additional vehicle in the SUV segment.

Tweak estimates, maintain BUY: We revise FY26E/FY27E EBITDA by -5%/-3% given a slow demand revival and additional cost impact, though MSIL will remain ahead of the industry. We introduce FY28 earnings with our 3Y EBITDA/PAT CAGR healthy at 13%/12%; gross margin assumptions hover at ~30% with EBITDA margin of ~12% over FY25-FY28. Our growth outlook is backed by MSIL's focus on premiumisation, healthy capex and thrust on EVs (average of 1 EV launch till FY30). Recent revival in rural affordability only augurs well for MSIL. We maintain BUY as we continue to value MSIL at 25x P/E 1YF earnings (on par with its 10Y average), with a revised TP of Rs 14,574 (Rs 13,899).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	MSIL IN/Rs 12,608
Market cap	US$ 43.5bn
Free float	44%
3M ADV	US$ 45.5mn
52wk high/low	Rs 13,680/Rs 10,725
Promoter/FPI/DII	56%/23%/16%

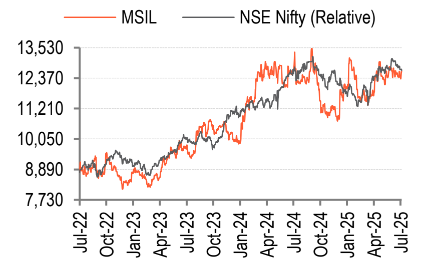
Source: NSE | Price as of 31 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	15,19,001	16,48,379	18,04,943
EBITDA (Rs mn)	1,77,852	1,95,094	2,23,057
Adj. net profit (Rs mn)	1,39,552	1,51,391	1,73,984
Adj. EPS (Rs)	443.9	481.5	553.4
Consensus EPS (Rs)	443.9	498.6	561.9
Adj. ROAE (%)	14.9	14.5	14.9
Adj. P/E (x)	28.4	26.2	22.8
EV/EBITDA (x)	21.5	19.5	17.1
Adj. EPS growth (%)	5.6	8.5	14.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY26	Q4FY25	Our view
Volumes	MSIL came out with retail sales of approximately 380k units, reflecting a YoY growth of 3.7%, which outperformed the industry's growth of 1.5%. Rural markets demonstrated stronger performance compared to urban markets. MSIL expects a robust Q2FY26 and the festive season, which extends into Q3, driven by a favourable monsoon and sustained rural demand. The company anticipates that two upcoming SUV launches, one electric and one ICE will further boost volumes. Industry growth is projected at 1-2% for FY26, with MSIL expecting to outperform this benchmark.	In Q4FY25, MSIL sold 604.6K units, up 3.5% YoY. Domestic sales grew 2.8% to 519.5k units, and exports rose 8.1% to 85.1k units. Retail sales (4.2% gain YoY) outpaced wholesale, boosting retail market share marginally. Total sales of 2.23 mn units, up 4.6% YoY, driven by 2.7% domestic growth and 17.5% export growth. Rural markets outperformed urban markets in Q4 and FY25.	Healthy Retail sales is likely to continue in the short term. Further, the new capacity at Kharkhoda will aide volume as capacity utilisation improves. Better export sales offset lower volume revival in domestic markets.
Margins	MSIL faced margin pressures on adverse commodity prices, unfavourable foreign exchange movements, higher employee expenses, and costs associated with the new Kharkhoda greenfield plant. However, these were partially offset by positive factors, including lower manufacturing and administrative expenses, reduced advertisement spending, and higher non-operating income driven by efficient treasury operations and MTM gains from softened yields. The company expects new plant-related costs and commodity pressures to normalize as production ramps up and price pass-through measures take effect.	Operating profit margin fell to 8.7% from 10% in Q3FY25, due to adverse factors: New Kharkoda plant overheads/depreciation (30bps), steel commodity costs (20bps), adverse product mix (40bps), higher ad expenses (30bps, driven by Bharat Mobility Show, e-Vitara unveil, IPL), and other expenses (90bps, due to lumpy/seasonal costs like CSR, repairs, digitalization, R&D) However, positives included lower sales promotion expenses (40bps), favourable operating leverage (40bps), and forex gains (20bps, accounted in non-operating income hedging).	Mild reversal in commodity prices additionally hit by forex impact. One-time impact of new plant overheads will offset over the period. Promo expenses, too, will reverse in the short term.
onDiscounts	Discounts have remained flat on a per-vehicle basis vs Q4FY25. The company noted no significant discounting war in export markets, as it prioritises sustainable margins. Going forward, MSIL expects to maintain stable discount levels, with no major shifts anticipated in the near term.	MSIL has announced 2 price hikes to offset steel cost pressures, although impact was not fully translated in the quarter.	Focus on exports, besides volume gain, is adding realisation with lower price wars in the segment, helping guard margins
Supply	There are supply chain challenges, particularly related to the availability of rare earth materials used in EVs and ICE components, such as motors, sensors, and electrical parts. Consumption of rare earths is significantly higher in EVs vs ICE vehicles. MSIL's engineering teams are actively working to mitigate these risks. The company is pursuing a multi-powertrain strategy, encompassing EVs, hybrids, and ICE vehicles, to reduce supply chain vulnerabilities.	CNG share slightly declined to 33.7% from 36.1% in Q3FY25, but remained a significant portion of sales, supported by robust supply of 14 CNG models.	We will track the adverse supply chain issues very diligently. Additionally, adverse product mix did impact margins. However, the launch of EV and variants in the ICE segment implies no major impediment to growth.
Commodities	Adverse commodity prices, particularly steel, negatively impacted MSIL's margins. The company monitors domestic steel price hikes but avoids direct impact from safeguard taxes, as its imports exceed the minimum import price threshold. MSIL expects commodity cost pressures to persist in the near term, but anticipates price pass-through mechanisms will help mitigate these impacts, with effects likely to be reflected in subsequent quarters.	Steel prices had an impact on margins (20 bps), with safeguard taxes on steel imports mentioned. Imports exceed the minimum import price threshold, avoiding a direct impact while keeping an eye on domestic steel price hikes.	Some negative surprises were expected due to commodity cost inflation in the near term, which were reflected in Q1 gross margin decline for MSIL. However, pass-through impact was reflected in Q1FY26

Parameter	Q1FY26	Q4FY25	Our view
Capacity	In Q1FY26, the Kharkhoda greenfield plant commenced operations, contributing to margin pressures due to initial overheads and depreciation costs. However, MSIL expects these costs to normalise as production scales up. Capex for FY26 is on track at approximately Rs 100bn, excluding Suzuki Motor Gujarat (SMG).	Kharkoda Phase 1 (250k units per year) began commercial production in March 2025. Initial overheads/depreciation reduced margins by 30bps, but production ramp-up will normalise costs. Manesar facility has reached the 10 mn-unit milestone.	Capacity expansion is key for growth and is being addressed . Focus on EVs is a step in the right direction.
Exports	Exports surged by 37.4% YoY, accounting for 47% of India's PV exports, while the rest of the industry experienced a 2.1% decline. Japan emerged as MSIL's second-largest export market, driven by strong demand for models like Fronx and Jimny. The company exports to approximately 100 countries and maintains sustainable margins without resorting to aggressive discounting. Looking ahead, MSIL plans to commence EV exports, starting with the e-Vitara, across 100 markets within FY26, with a staggered rollout.	Exports increased 8.1% YoY to 85,089 units, with MSIL accounting for 48.4% of India's PV export market. In FY25, exports rose by 17.5% to 332k units; likely to grow at 20% in FY26.	Exports form a relatively small proportion of the topline. Steady exports demand will aid further revenue growth. In a relatively slower domestic growth pace, focus on exports especially with EV launches, will help volume growth.
Electric Vehicles	The company has implemented measures to enhance consumer confidence in EVs, such as fast charging, home charging solutions, 24/7 roadside assistance, and Service on Wheels. MSIL's multi-powertrain approach, which includes EVs and hybrids, aligns with upcoming Corporate Average Fuel Economy (CAFE) norms, expected to be finalized within 1-2 months. The company anticipates completing the e-Vitara export rollout within FY26, reinforcing its long-term EV strategy.	MSIL's first electric SUV e-Vitara was unveiled and another SUV is in pipeline for this year. The company's HeartTech platform will be the base for the upcoming SUV.	This is in line with the company's long-term guidance of launching EVs by FY25-end. Strong focus on EV launches only augur well for the overall growth.
Other key points	The company introduced six airbags across approximately 97% of its models by July 2025, positively impacting average selling prices (ASPs). Grand Vitara volumes declined, but the recent launch of a CNG variant supports sustainable growth. Discussions on CAFE norms between the Society of Indian Automobile Manufacturers (SIAM) and the government are progressing, with clarity expected by September 2025 for powertrains effective from April 2027. The amalgamation of Suzuki Motor Gujarat with MSIL, effective April 1, 2025, awaits regulatory approval. MSIL expects the festive season and new SUV launches to drive demand, with minimal cannibalization risks due to its diversified portfolio and dual-channel distribution strategy (Nexa and Arena). Inventory levels remain stable, and regulatory price hikes are expected to have a minimal impact on margins.	At end-Q4FY25, the stock was of 28 days and has normalised due to higher wholesale sales. CAFE norms are under discussion and are likely to be finalized in 1-2 months. Hybrid adoption increased in FY25 due to favorable customer reaction and supportive state policies. MSIL introduced high-voltage courses for hybrid and EV serviceability. Suzuki Motor Gujarat (SMG) amalgamation with MSIL effective April 1, 2025, subject to regulatory approval.	Inventory concerns were only for the short term; on an average no major concerns. MSIL is confident of a pass through of regulatory price hikes, thus having a minimal impact on margins.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	4QFY25	QoQ (%)	Q1FY26E
Volume	5,27,861	5,21,868	1.1	6,04,635	(12.7)	5,27,861
Avg. Realisation per Vehicle	7,27,722	6,80,850	6.9	6,72,700	8.2	6,94,563
Net Revenues	3,84,136	3,55,314	8.1	4,06,738	(5.6)	3,66,633
Total Income (A)	**3,84,136**	**3,55,314**	**8.1**	**4,06,738**	**(5.6)**	**3,66,633**
Operating Expenses						
Raw materials consumed	2,77,296	2,49,329	11.2	2,92,353	(5.2)	2,66,256
Employee Expenses	17,752	15,576	14.0	15,691	13.1	14,115
Other Expenses	50,013	45,386	10.2	56,047	(10.8)	47,662
Total Expenditure (B)	**3,45,061**	**3,10,291**	**11.2**	**3,64,091**	**(5.2)**	**3,28,033**
EBITDA (A-B)	39,075	45,023	(13.2)	42,647	(8.4)	38,599
Other Income	18,230	9,751	87.0	14,466	26.0	11,164
Depreciation	9,375	7,310	28.2	8,724	7.5	8,910
EBIT	47,930	47,464	1.0	48,389	(0.9)	40,853
Finance Costs	466	573	(18.7)	472	(1.3)	501
PBT after excep items	47,464	46,891	1.2	47,917	(0.9)	40,352
Tax expense	11,225	10,392	8.0	10,806	3.9	9,281
Reported PAT	**36,239**	**36,499**	**(0.7)**	**37,111**	**(2.3)**	**31,071**
Adjusted PAT	**36,239**	**36,499**	**(0.7)**	**37,111**	**(2.3)**	**31,071**
EPS (Rs)	120.0	120.9	(0.7)	122.9	(2.3)	102.9
Key Ratios (%)			**(bps)**		**(bps)**	
Gross Margin	27.8	29.8	(201.5)	28.1	(30.9)	27.4
EBITDA Margin	10.2	12.7	(249.9)	10.5	(31.3)	10.5
EBIT Margin	12.5	13.4	(88.1)	11.9	58.1	11.1
PBT Margin	12.4	13.2	(84.1)	11.8	57.5	11.0
Tax Rate	23.6	22.2	148.7	22.6	109.8	23.0
Adj PAT Margin	9.4	10.3	(83.8)	9.1	31.0	8.5

Source: Company, BOBCAPS Research

Valuation Methodology

We revise FY26E/FY27E EBITDA by -5%/-3% due to a slow demand revival and additional cost impact, though MSIL will continue to be ahead of the industry. We introduce FY28 earnings with 13% and 16% YoY growth. Our new 3Y EBITDA/PAT CAGR is healthy at 13%/12%; gross margin assumptions hover at ~30% with EBITDA margin of ~12% over FY25-FY28. Our growth outlook is backed by MSIL's focus on premiumisation, healthy capex and thrust on EVs (average of 1 EV launch till FY30). Recent revival in rural affordability only augurs well.

We maintain BUY as we continue to value MSIL at 25x P/E 1YF earnings (on par with its 10Y average), with a revised TP of Rs 14,574 (Rs 13,899).

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16,48,379	18,04,943	19,81,159	16,80,387	18,61,196		(1.9)	(3.0)	
EBITDA	1,95,094	2,23,057	2,59,003	2,06,046	2,36,206		(5.3)	(5.6)	
Adj PAT	1,51,391	1,73,984	1,96,972	1,59,150	1,78,360		(4.9)	(2.5)	
Adj EPS (Rs)	481.5	553.4	626.5	506	567		(4.9)	(2.5)	

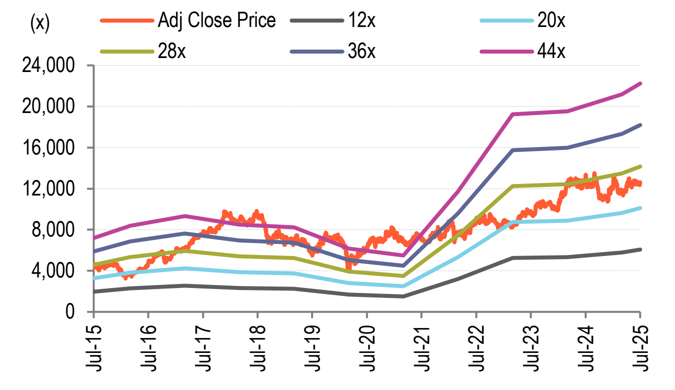
Source: BOBCAPS Research

Fig 4 – Key assumptions

Parameter	FY25	FY26E	FY27E	FY28E
Volume (nos)	22,42,089	23,09,352	24,47,913	25,94,788
Revenues (Rs mn)	15,19,001	16,48,379	18,04,943	19,81,159
EBITDA (Rs mn)	1,77,852	1,95,094	2,23,057	2,59,003
Operating margin (%)	11.7	11.8	12.4	13.1
Adjusted Net Profit (Rs mn)	1,39,552	1,51,391	1,73,984	1,96,972
Adjusted EPS (Rs)	443.9	481.5	553.4	626.5

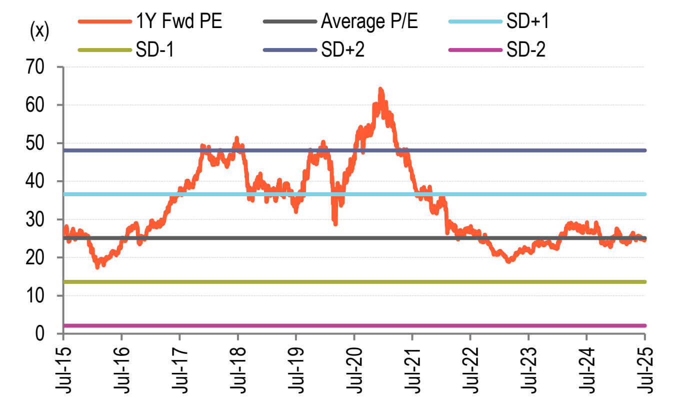
Source: Company, BOBCAPS Research

Fig 5 – P/E band: We value MSIL at 25x 1YF EPS



Source: Company, Bloomberg, BOBCAPS Research

Fig 6 – P/E 1F: Valuation is at mean average



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- Intense competitive pressure leading to higher discounts/price cuts
- Commodity inflation gaining pace faster than expected
- Delays in model launches in various segments, including CNG and EVs.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**14,09,326**	**15,19,001**	**16,48,379**	**18,04,943**	**19,81,159**
EBITDA	1,64,011	1,77,852	1,95,094	2,23,057	2,59,003
Depreciation	30,223	31,593	35,840	40,040	44,240
EBIT	1,72,336	1,93,763	2,10,316	2,37,927	2,72,623
Net interest inc./(exp.)	(1,932)	(1,931)	(2,075)	(2,017)	(1,871)
Other inc./(exp.)	38,548	47,504	51,062	54,910	57,860
Exceptional items	0	0	0	0	0
EBT	1,70,404	1,91,832	2,08,241	2,35,910	2,70,752
Income taxes	38,310	52,280	56,850	61,926	73,780
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**1,32,094**	**1,39,552**	**1,51,391**	**1,73,984**	**1,96,972**
Adjustments	0	0	0	0	0
Adjusted net profit	**1,32,094**	**1,39,552**	**1,51,391**	**1,73,984**	**1,96,972**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,88,798	1,98,993	1,96,480	2,27,027	2,46,424
Other current liabilities	27,914	53,565	61,635	53,950	59,451
Provisions	13,514	15,683	3,957	4,352	4,788
Debt funds	32,802	34,583	24,715	17,558	17,238
Other liabilities	0	0	0	0	0
Equity capital	1,572	1,572	1,572	1,572	1,572
Reserves & surplus	8,38,249	9,34,513	10,43,040	11,64,354	13,01,041
Shareholders' fund	8,39,821	9,36,085	10,44,612	11,65,926	13,02,613
Total liab. and equities	**11,02,849**	**12,38,908**	**13,31,399**	**14,68,813**	**16,30,514**
Cash and cash eq.	4,600	4,464	4,958	3,724	2,231
Accounts receivables	46,013	39,225	42,034	46,026	50,520
Inventories	41,196	62,760	66,759	73,100	81,228
Other current assets	65,019	86,181	70,075	74,850	80,224
Investments	6,85,137	7,45,063	8,26,063	9,31,063	10,47,063
Net fixed assets	1,87,258	2,27,086	2,51,246	2,71,206	2,86,966
CWIP	63,034	77,575	75,000	75,000	90,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	1,124	(12,911)	(14,202)	(15,622)	(17,185)
Other assets	9,467	9,467	9,467	9,467	9,467
Total assets	**11,02,848**	**12,38,909**	**13,31,399**	**14,68,813**	**16,30,514**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**1,43,761**	**1,23,788**	**1,37,222**	**1,65,246**	**1,88,819**
Capital expenditures	(73,496)	(85,962)	(57,425)	(60,000)	(75,000)
Change in investments	(2,07,573)	(59,926)	(81,000)	(1,05,000)	(1,16,000)
Other investing cash flows	38,548	47,504	51,062	54,910	57,860
Cash flow from investing	**(2,42,521)**	**(98,384)**	**(87,363)**	**(1,10,090)**	**(1,33,140)**
Equities issued/Others	1,28,405	0	0	0	0
Debt raised/repaid	(5,520)	1,781	(9,867)	(7,158)	(319)
Interest expenses	(1,932)	(1,931)	(2,075)	(2,017)	(1,871)
Dividends paid	(27,187)	(42,444)	(48,386)	(55,160)	(62,883)
Other financing cash flows	2,287	14,035	1,291	1,420	1,562
Cash flow from financing	**96,053**	**(28,559)**	**(59,037)**	**(62,915)**	**(63,511)**
Chg in cash & cash eq.	**(2,707)**	**(3,155)**	**(9,179)**	**(7,759)**	**(7,832)**
Closing cash & cash eq.	**4,600**	**4,464**	**4,958**	**3,724**	**2,231**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	420.1	443.9	481.5	553.4	626.5
Adjusted EPS	420.1	443.9	481.5	553.4	626.5
Dividend per share	86.5	135.0	153.9	175.4	200.0
Book value per share	2,671.2	2,977.4	3,322.6	3,708.4	4,143.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.7	2.5	2.3	2.1	1.9
EV/EBITDA	23.2	21.5	19.5	17.1	14.7
Adjusted P/E	30.0	28.4	26.2	22.8	20.1
P/BV	4.7	4.2	3.8	3.4	3.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.5	72.7	72.7	73.8	72.8
Interest burden (PBT/EBIT)	98.9	99.0	99.0	99.2	99.3
EBIT margin (EBIT/Revenue)	12.2	12.8	12.8	13.2	13.8
Asset turnover (Rev./Avg TA)	186.1	164.8	161.6	160.2	158.3
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	18.3	15.7	15.3	15.7	16.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	19.9	7.8	8.5	9.5	9.8
EBITDA	49.0	8.4	9.7	14.3	16.1
Adjusted EPS	57.7	5.6	8.5	14.9	13.2
Profitability & Return ratios (%)					
EBITDA margin	11.6	11.7	11.8	12.4	13.1
EBIT margin	12.2	12.8	12.8	13.2	13.8
Adjusted profit margin	9.4	9.2	9.2	9.6	9.9
Adjusted ROAE	15.7	14.9	14.5	14.9	15.1
ROCE	17.4	15.1	14.7	15.3	15.6
Working capital days (days)					
Receivables	10	10	9	9	9
Inventory	11	12	14	14	14
Payables	62	65	62	62	64
Ratios (x)					
Gross asset turnover	0.3	0.3	0.3	0.3	0.3
Current ratio	0.7	0.7	0.7	0.7	0.7
Net interest coverage ratio	(89.2)	(100.3)	(101.4)	(118.0)	(145.7)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

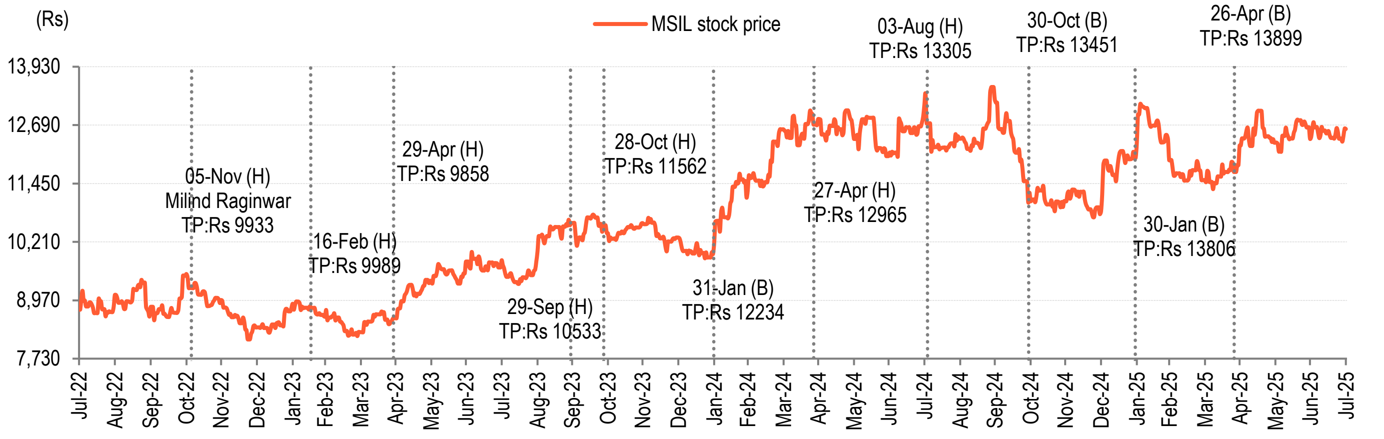
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): MARUTI SUZUKI (MSIL IN)



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