

October 27, 2021

Q2FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	8,097		7,888	
Sales (Rs. m)	9,73,198	11,36,881	9,64,217	11,10,132
% Chng.	0.9	2.4		
EBITDA (Rs. m)	97,320	1,33,015	1,01,243	1,28,775
% Chng.	(3.9)	3.3		
EPS (Rs.)	253.4	346.3	275.4	342.4
% Chng.	(8.0)	1.1		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	703	821	973	1,137
EBITDA (Rs. bn)	53	61	97	133
Margin (%)	7.6	7.4	10.0	11.7
PAT (Rs. bn)	42	48	77	105
EPS (Rs.)	140.0	160.3	253.4	346.3
Gr. (%)	(25.2)	14.5	58.1	36.7
DPS (Rs.)	45.0	48.1	76.0	103.9
Yield (%)	0.6	0.7	1.0	1.4
RoE (%)	8.5	9.1	13.3	16.4
RoCE (%)	4.6	5.3	10.5	14.4
EV/Sales (x)	3.1	2.7	2.3	1.9
EV/EBITDA (x)	40.9	36.2	22.6	16.3
PE (x)	52.5	45.9	29.0	21.2
P/BV (x)	4.3	4.1	3.7	3.3

Key Data

MRTI.BO | MSIL IN

52-W High / Low	Rs.8,400 / Rs.6,301
Sensex / Nifty	61,143 / 18,211
Market Cap	Rs.2,222bn/ \$ 29,619m
Shares Outstanding	302m
3M Avg. Daily Value	Rs.10828.19m

Shareholding Pattern (%)

Promoter's	56.37
Foreign	22.52
Domestic Institution	15.98
Public & Others	5.13
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	12.0	2.8
Relative	(2.4)	(10.4)	(31.9)

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Margin Pressure To Continue Going Ahead

Quick Pointers:

- Demand remains strong with bookings of ~250k units; however channel inventory stays at ~60k units.
- Lowest ever EBITDA margins at 4.2%; 250bps impact from high RM costs.

Maruti's 2QFY22 EBITDAM disappointed at 4.2%, led by soaring raw material costs (250bps impact) and low production levels (116k units) regardless of three price hikes over 1HFY22 (~1.9% in Sep-21). Despite strong demand, orders remained unfulfilled due to production cut of 60%/40% in Sep-21/Oct-21. Further, 2Q market share declined to 43% vs 48% of FY21 due to new product launches from competitors and rising demand in SUV segment. Exports outlook, however, remains strong with pickup in Africa and other export markets.

We reduce our earnings estimates by ~13%/8% for FY22/23 to factor in lower volumes and weak 2QFY22 results. However, maintain 'ACCUMULATE' (with a revised target price of Rs 8,097 at 27x Sep-23E EPS) as we believe that the market leader will likely benefit from shift to personal mobility and increasing demand of CNG vehicles. Going ahead, new product launches and its ability to pass on prices in competitive environment remains the key.

- **Revenue came 10%/6% YoY/QoQ at Rs 205bn (PL: Rs 194bn):** Volumes for the quarter declined by 3% YoY to 379k units (+7% QoQ). While price hikes, higher revenue from spares and improved exports led to an increase of 14%/8% YoY/QoQ in average realization.
- **Margins below estimate at 4.2% (-615bp YoY, PLe 5.5%)-** EBITDAM disappointed, led by higher input costs RM cost ratio at 75.8% of sales vs 70/74.8% YoY/QoQ and higher fixed costs pertaining to Gujarat plant. Further, PAT at Rs 4.75bn declined 65% YoY, +8% QoQ.
- **Key takeaway: (1) Demand outlook:** Demand remains robust. ~250k units of customer bookings are pending. Currently, dealer inventory is ~60k units; which is expected to come down due to festive retails. **(2) Semiconductor shortage affecting production:** MSIL had announced a production cut of 60%/40% in Sep-21/Oct-21, owing to global semiconductor shortage issue. Hence production of 116k units was impacted during the quarter. **(3) RM inflation impacting margins:** Soaring commodity prices impacted led to ~250bps of impact on margins. **(4) Price hikes:** Maruti has taken three price hikes over the year (~1.9% price hike taken in Sep-21) **(4) Demand for CNG vehicles gaining traction:** Led by rising fuel prices, the company has witnessed demand for CNG fitted vehicles. CNG vehicle sales now account for 17.8% of volumes vs 11.2% YoY. **(5) Discounts:** Average discount in 2QFY22 stood at Rs 18.5k vs Rs 17.3k/13.9k YoY/QoQ. **(5) Other Highlights:** Capex for FY22 is expected to be Rs 67bn spent ~15B in 1HFY22.

Q2FY22 Result Overview (Rs mn)

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	QoQ gr. (%)	H1FY22	H1FY21	YoY gr. (%)
Net Revenues	2,05,389	1,87,445	9.6	1,77,707	15.6	3,83,096	2,28,510	67.6
Raw Materials	1,55,770	1,31,143	18.8	1,32,905	17.2	2,88,675	1,60,507	79.9
<i>% of Net Sales</i>	<i>75.8</i>	<i>70.0</i>		<i>74.8</i>		<i>75.4</i>	<i>70.2</i>	
Personnel	9,622	8,268	16.4	10,643	(9.6)	20,265	15,571	30.1
<i>% of Net Sales</i>	<i>4.7</i>	<i>4.4</i>		<i>6.0</i>		<i>5.3</i>	<i>6.8</i>	
Ex Manufacturing & Other Exp	31,448	28,698	9.6	25,948	21.2	57,396	41,730	37.5
<i>% of Net Sales</i>	<i>15.3</i>	<i>15.3</i>		<i>14.6</i>		<i>15.0</i>	<i>18.3</i>	
Total Expenditure	1,96,840	1,68,109	17.1	1,69,496	16.1	3,66,336	2,17,808	68.2
EBITDA	8,549	19,336	(55.8)	8,211	4.1	16,760	10,702	56.6
<i>EBITDA Margin (%)</i>	<i>4.2</i>	<i>10.3</i>		<i>4.6</i>		<i>4.4</i>	<i>4.7</i>	
Depreciation	7,561	7,659	(1.3)	7,432	1.7	14,993	15,492	(3.2)
EBIT	988	11,677	(91.5)	779	26.8	1,767	-4,790	(136.9)
Interest Expenses	225	224	0.4	222	1.4	447	397	12.6
Non-operating income	5,227	6,025	(13.2)	5,078	2.9	10,305	19,208	(46.4)
PBT	5,990	17,478	(65.7)	5,635	6.3	11,625	14,021	(17.1)
Tax-Total	1,237	3,762	(67.1)	1,227	0.8	2,464	2,799	(12.0)
<i>Tax Rate (%) - Total</i>	<i>20.7</i>	<i>21.5</i>	<i>(4.1)</i>	<i>21.8</i>		<i>21.2</i>	<i>20.0</i>	<i>6.2</i>
Reported PAT	4,753	13,716	(65.3)	4,408	7.8	9,161	11,222	(18.4)
Adj. PAT	4,753	13,716	(65.3)	4,408	7.8	9,161	11,222	(18.4)
<i>PAT Margin (%)</i>	<i>2.3</i>	<i>7.3</i>		<i>2.5</i>		<i>2.4</i>	<i>4.9</i>	

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	QoQ gr. (%)	H1FY22	H1FY21	YoY gr. (%)
Car Sales Volume (nos)	3,79,541	3,93,130	(3.5)	3,53,614	7.3	7,33,155	4,69,729	56.1
Net Realisation/Vehicle	5,41,151	4,76,802	13.5	5,02,545	7.7	5,22,531	4,86,472	7.4
Material cost / vehicle	4,10,417	3,33,587	23.0	3,75,848	9.2	3,93,743	3,41,701	15.2
Gross Profit / vehicle	1,30,734	1,43,215	(8.7)	1,26,697	3.2	1,28,787	1,44,771	(11.0)
Employee cost /vehicle	25,352	21,031	20.5	30,098	(15.8)	27,641	33,149	(16.6)
Other expenses / vehicle	82,858	72,999	13.5	73,379	12.9	78,286	88,838	(11.9)
EBITDA/vehicle	22,525	49,185	(54.2)	23,220	(3.0)	22,860	22,783	0.3
Net Profit/vehicle	12,523	34,889	(64.1)	12,466	0.5	12,495	23,890	(47.7)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	7,03,317	8,21,306	9,73,198	11,36,881
YoY gr. (%)	(7.0)	16.8	18.5	16.8
Cost of Goods Sold	5,07,444	6,11,873	7,13,354	8,27,649
Gross Profit	1,95,873	2,09,433	2,59,844	3,09,232
Margin (%)	27.8	25.5	26.7	27.2
Employee Cost	34,029	38,601	41,848	40,928
Other Expenses	1,08,399	1,10,055	1,20,677	1,35,289
EBITDA	53,445	60,777	97,320	1,33,015
YoY gr. (%)	(26.8)	13.7	60.1	36.7
Margin (%)	7.6	7.4	10.0	11.7
Depreciation and Amortization	30,315	32,369	36,632	40,454
EBIT	23,130	28,408	60,687	92,561
Margin (%)	3.3	3.5	6.2	8.1
Net Interest	1,008	907	998	1,098
Other Income	29,464	34,565	38,373	42,544
Profit Before Tax	51,586	62,066	98,062	1,34,007
Margin (%)	7.3	7.6	10.1	11.8
Total Tax	9,297	13,655	21,525	29,414
Effective tax rate (%)	18.0	22.0	22.0	22.0
Profit after tax	42,289	48,411	76,538	1,04,592
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	42,289	48,411	76,538	1,04,592
YoY gr. (%)	-	-	-	-
Margin (%)	6.0	5.9	7.9	9.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	42,289	48,411	76,538	1,04,592
YoY gr. (%)	(25.2)	14.5	58.1	36.7
Margin (%)	6.0	5.9	7.9	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	302	302	302	302
EPS (Rs)	140.0	160.3	253.4	346.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	3,14,553	3,81,553	4,23,553	4,65,553
Tangibles	3,14,553	3,81,553	4,23,553	4,65,553
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,64,983	1,97,352	2,33,984	2,74,439
Tangibles	1,64,983	1,97,352	2,33,984	2,74,439
Intangibles	-	-	-	-
Net fixed assets	1,49,570	1,84,201	1,89,569	1,91,114
Tangibles	1,49,570	1,84,201	1,89,569	1,91,114
Intangibles	-	-	-	-
Capital Work In Progress	14,898	14,898	15,643	16,425
Goodwill	-	-	-	-
Non-Current Investments	4,05,705	4,30,705	4,75,705	5,35,705
Net Deferred tax assets	(3,847)	(4,039)	(4,241)	(4,453)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	12,162	12,162	12,162	12,162
Inventories	30,500	22,502	37,328	43,606
Trade receivables	12,766	18,001	21,330	24,918
Cash & Bank Balance	30,364	12,097	18,548	43,391
Other Current Assets	12,169	12,169	12,169	12,169
Total Assets	7,00,674	7,42,529	8,21,828	9,22,802
Equity				
Equity Share Capital	1,510	1,510	1,510	1,510
Other Equity	5,12,158	5,46,046	5,99,622	6,72,837
Total Networkth	5,13,668	5,47,556	6,01,132	6,74,347
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,888	5,386	5,884	6,382
Trade payables	1,01,617	1,03,507	1,22,650	1,43,278
Other current liabilities	76,654	82,040	87,921	94,341
Total Equity & Liabilities	7,00,674	7,42,529	8,21,828	9,22,802

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	51,586	62,066	98,062	1,34,007
Add. Depreciation	30,315	32,369	36,632	40,454
Add. Interest	1,008	907	998	1,098
Less Financial Other Income	29,464	34,565	38,373	42,544
Add. Other	(29,464)	(34,565)	(38,373)	(42,544)
Op. profit before WC changes	53,445	60,777	97,320	1,33,015
Net Changes-WC	45,640	6,786	3,288	13,246
Direct tax	(11,434)	(13,462)	(21,323)	(29,202)
Net cash from Op. activities	87,651	54,100	79,285	1,17,059
Capital expenditures	(23,597)	(67,000)	(42,745)	(42,782)
Interest / Dividend Income	-	-	-	-
Others	23,889	34,565	38,373	42,544
Net Cash from Inv. activities	292	(32,435)	(4,372)	(238)
Issue of share cap. / premium	599	-	-	-
Debt changes	3,825	498	498	498
Dividend paid	(13,590)	(14,523)	(22,961)	(31,378)
Interest paid	(1,008)	(907)	(998)	(1,098)
Others	-	-	-	-
Net cash from Fin. activities	(10,174)	(14,933)	(23,461)	(31,977)
Net change in cash	77,769	6,733	51,451	84,843
Free Cash Flow	64,054	(12,900)	36,540	74,276

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	2,34,578	2,40,237	1,77,707	2,05,389
YoY gr. (%)	13.3	32.0	332.7	9.6
Raw Material Expenses	1,70,156	1,77,509	1,32,905	1,55,770
Gross Profit	64,422	62,728	44,802	49,619
Margin (%)	27.5	26.1	25.2	24.2
EBITDA	22,261	19,911	8,211	8,549
YoY gr. (%)	5.9	28.8	(195.1)	(55.8)
Margin (%)	9.5	8.3	4.6	4.2
Depreciation / Depletion	7,413	7,410	7,432	7,561
EBIT	14,848	12,501	779	988
Margin (%)	6.3	5.2	0.4	0.5
Net Interest	287	324	222	225
Other Income	9,937	898	5,078	5,227
Profit before Tax	24,498	13,075	5,635	5,990
Margin (%)	10.4	5.4	3.2	2.9
Total Tax	5,084	1,414	1,227	1,237
Effective tax rate (%)	20.8	10.8	21.8	20.7
Profit after Tax	19,414	11,661	4,408	4,753
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	19,414	11,661	4,408	4,753
YoY gr. (%)	24.1	(9.7)	(276.7)	(65.3)
Margin (%)	8.3	4.9	2.5	2.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	19,414	11,661	4,408	4,753
YoY gr. (%)	24.1	(9.7)	(276.7)	(65.3)
Margin (%)	8.3	4.9	2.5	2.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,414	11,661	4,408	4,753
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

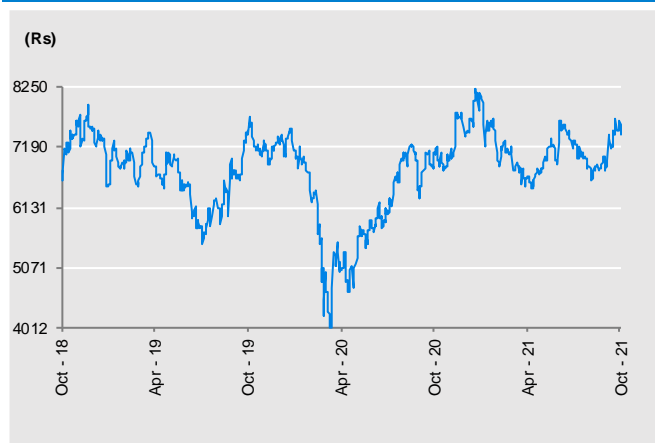
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	140.0	160.3	253.4	346.3
CEPS	240.4	267.5	374.7	480.3
BVPS	1,700.9	1,813.1	1,990.5	2,232.9
FCF	212.1	(42.7)	121.0	245.9
DPS	45.0	48.1	76.0	103.9
Return Ratio(%)				
RoCE	4.6	5.3	10.5	14.4
ROIC	4.1	4.3	8.6	12.3
RoE	8.5	9.1	13.3	16.4
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	0.0	(0.1)
Net Working Capital (Days)	(51)	(47)	(42)	(41)
Valuation(x)				
PER	52.5	45.9	29.0	21.2
P/B	4.3	4.1	3.7	3.3
P/CEPS	30.6	27.5	19.6	15.3
EV/EBITDA	40.9	36.2	22.6	16.3
EV/Sales	3.1	2.7	2.3	1.9
Dividend Yield (%)	0.6	0.7	1.0	1.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Volume (units)	14,57,861	16,16,870	18,68,599	21,30,203
Net realisation (Rs/unit)	5,27,217	5,40,397	5,51,205	5,62,229

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Oct-21	Accumulate	7,888	7,493
2	28-Jul-21	Accumulate	7,684	7,165
3	7-Jul-21	UR	-	7,515
4	27-Apr-21	BUY	7,619	6,569
5	7-Apr-21	BUY	7,915	6,751
6	28-Jan-21	BUY	8,428	7,589
7	11-Jan-21	BUY	8,465	8,015
8	29-Oct-20	BUY	7,642	7,118

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	156	136
2	Bajaj Auto	Hold	3,923	3,829
3	Bharat Forge	Accumulate	897	742
4	CEAT	Hold	1,344	1,296
5	Eicher Motors	Accumulate	2,758	2,821
6	Endurance Technologies	BUY	1,844	1,605
7	Exide Industries	UR	-	184
8	Hero Motocorp	Accumulate	3,057	2,842
9	Mahindra & Mahindra	BUY	978	878
10	Maruti Suzuki	Accumulate	7,888	7,493
11	Motherson Sumi Systems	BUY	249	207
12	Tata Motors	BUY	592	421
13	TVS Motors	BUY	682	577

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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