

May 1, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	9,000		9,000	
Sales (Rs. m)	10,57,979	12,27,674	10,17,668	11,74,305
% Chng.	4.0	4.5		
EBITDA (Rs. m)	98,392	1,32,589	99,731	1,38,568
% Chng.	(1.3)	(4.3)		
EPS (Rs.)	231.6	321.4	219.5	321.4
% Chng.	5.5	-		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	703	883	1,058	1,228
EBITDA (Rs. bn)	53	57	98	133
Margin (%)	7.6	6.5	9.3	10.8
PAT (Rs. bn)	42	38	70	97
EPS (Rs.)	140.0	124.7	231.6	321.4
Gr. (%)	(25.2)	(10.9)	85.7	38.8
DPS (Rs.)	45.0	60.0	65.0	90.0
Yield (%)	0.6	0.8	0.8	1.2
RoE (%)	8.5	7.1	12.4	15.5
RoCE (%)	4.6	5.5	11.9	15.6
EV/Sales (x)	3.3	2.6	2.1	1.8
EV/EBITDA (x)	42.9	40.1	23.0	17.0
PE (x)	55.1	61.9	33.3	24.0
P/BV (x)	4.5	4.3	3.9	3.5

Key Data

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52-W High / Low	Rs.9,050 / Rs.6,400
Sensex / Nifty	57,061 / 17,103
Market Cap	Rs.2,331bn / \$ 30,502m
Shares Outstanding	302m
3M Avg. Daily Value	Rs.6987.77m

Shareholding Pattern (%)

Promoter's	56.37
Foreign	22.57
Domestic Institution	16.25
Public & Others	4.81
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.7	3.1	17.5
Relative	5.4	7.2	2.5

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Preparing to get back into the game

Quick Pointers:

- Current order book stands at ~320k units of which 40% is for CNG models; new Baleno has 80k+ units of booking.
- Chip crunch and commodity inflation to restrict volumes and margins.

Maruti's 4QFY22 EBITDA margin at 9.1% (+240bps QoQ, PLe: 7.7%) surprised positively led by benign RM costs and operating leverage coming from recovering volumes. Current order book stands at ~320k units of which 40% is for CNG models. Newly launched Baleno has order book of ~80k units since Feb22 and we believe this could add incremental volumes over the year. However, chip shortage situation remains dynamic along with commodity inflation which will restrict volumes and margins in the near-term. Since FY20 Maruti's market share contracted by 800bps to 43% currently. Nevertheless management highlighted that 2022 will be a strong year in terms of new launches (half of which are expected to be in the SUV space) and this will address gaps in its product portfolio.

We raise our revenue estimates by 4/5% for FY23/24E to factor in volume growth led by new model launches. But our margin estimate contracts by 50/100bps for FY23/24E, considering commodity inflation after the Russia-Ukraine war. Maintain 'BUY' with target price of Rs 9,000 at 28x FY24E EPS.

- 4QFY22 performance:** Revenue at Rs 267bn came in-line with our estimates and grew by 11/15% YoY/QoQ, owing to a 12/1% growth in average realizations (Rs 547k/units). Volumes at 489k units declined 1% YoY, however, grew 14% QoQ. EBITDA margin at 9.1% (+240bps QoQ, PLe: 7.7%) surprised positively, led by improvement in gross margins (+175bps QoQ), despite commodity inflation. The company reported a PAT of Rs 18.3bn (+58% YoY).
- Key takeaway: (1) New model launches a priority:** The company's non-presence in SUV space has led to a market share loss of 800bps from its peak share (current share 43%); however, non-SUV share stands at 65%. After a hiatus of almost two years, Maruti is expected to launch multiple new products/refreshed in 2022, of which half is expected in the SUV space. **(2) Demand outlook:** With demand shrinking for small car, the company has increased its focus on high-end cars. Newly launched Baleno (premium hatchback), Celerio and Ertiga have received good reception. Current order book stands at 320k+ units, of which 80k+ bookings are of New Baleno and 40% are for CNG models backlog. Rural sales are inching up at 44% of sales vs 41% at the beginning of FY22. **(3) Chip crunch and commodity inflation:** Though RM cost dipped in 4QFY22 as precious metal prices softened, management expects inflation to kick in 1HFY23 led by high steel prices. Semiconductor situation is likely to be dynamic and could restrict sales in FY23. Production of ~270k units was impacted in FY22 due to this issue. **(4) EV plans:** The company has recently signed an MoU for an investment of Rs 104bn through SMG, in Gujarat, towards BEV and battery manufacturing capabilities. It plans to launch its first BEV product by 2025.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22E	FY21	YoY gr. (%)
Net Revenues	2,67,400	2,40,237	11.3	2,32,460	15.0	8,82,956	7,03,325	25.5
Raw Materials	1,96,667	1,77,509	10.8	1,75,031	12.4	6,60,373	5,08,172	30.0
<i>% of Net Sales</i>	<i>73.5</i>	<i>73.9</i>		<i>75.3</i>		<i>74.8</i>	<i>72.3</i>	
Personnel	10,258	9,003	13.9	9,699	5.8	40,222	34,029	18.2
<i>% of Net Sales</i>	<i>3.8</i>	<i>3.7</i>		<i>4.2</i>		<i>4.6</i>	<i>4.8</i>	
Manufacturing & Other Exp	36,207	33,814	7.1	32,140	12.7	1,25,743	1,08,250	16.2
<i>% of Net Sales</i>	<i>13.5</i>	<i>14.1</i>		<i>13.8</i>		<i>14.2</i>	<i>15.4</i>	
Total Expenditure	2,43,132	2,20,326	10.4	2,16,870	12.1	8,26,338	6,50,451	27.0
EBITDA	24,268	19,911	21.9	15,590	55.7	56,618	52,874	7.1
<i>EBITDA Margin (%)</i>	<i>9.1</i>	<i>8.3</i>		<i>6.7</i>		<i>6.4</i>	<i>7.5</i>	
Depreciation	6,472	7,410	(12.7)	6,400	1.1	27,865	30,315	(8.1)
EBIT	17,796	12,501	42.4	9,190	93.6	28,753	22,559	27.5
Interest Expenses	560	324	72.8	252	122.2	1,259	1,008	24.9
Non-operating income	4,744	898	428.3	3,280	44.6	18,329	30,043	(39.0)
PBT	21,980	13,075	68.1	12,218	79.9	45,823	51,594	(11.2)
Tax-Total	3,591	1,414	154.0	2,105	70.6	8,160	9,297	(12.2)
<i>Tax Rate (%) - Total</i>	<i>16.3</i>	<i>10.8</i>	<i>51.1</i>	<i>17.2</i>		<i>17.8</i>	<i>18.0</i>	<i>(1.2)</i>
Reported PAT	18,389	11,661	57.7	10,113	81.8	37,663	42,297	(11.0)
Adj. PAT	18,389	11,661	57.7	10,113	81.8	37,663	42,297	(11.0)
<i>PAT Margin (%)</i>	<i>6.9</i>	<i>4.9</i>		<i>4.4</i>		<i>4.3</i>	<i>6.0</i>	

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22E	FY21	YoY gr. (%)
Car Sales Volume (nos)	4,88,830	4,92,235	(0.7)	4,30,668	13.5	16,52,653	14,57,861	13.4
Net Realisation/Vehicle	5,47,020	4,88,053	12.1	5,39,766	1.3	5,34,266	4,82,436	10.7
Material cost / vehicle	4,02,322	3,60,618	11.6	4,06,417	(1.0)	3,99,584	3,48,574	14.6
Gross Profit / vehicle	1,44,699	1,27,435	13.5	1,33,349	8.5	1,34,682	1,33,863	0.6
Employee cost /vehicle	20,985	18,290	14.7	22,521	(6.8)	24,338	23,342	4.3
Other expenses / vehicle	74,069	68,695	7.8	74,628	(0.7)	76,086	74,253	2.5
EBITDA/vehicle	49,645	40,450	22.7	36,200	37.1	34,259	36,268	(5.5)
Net Profit/vehicle	37,618	23,690	58.8	23,482	60.2	22,789	29,013	(21.5)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	7,03,317	8,82,956	10,57,979	12,27,674
YoY gr. (%)	(7.0)	25.5	19.8	16.0
Cost of Goods Sold	5,07,444	6,58,928	7,78,672	9,02,341
Gross Profit	1,95,873	2,24,028	2,79,306	3,25,334
Margin (%)	27.8	25.4	26.4	26.5
Employee Cost	34,029	40,222	47,609	46,652
Other Expenses	1,08,399	1,26,794	1,33,305	1,46,093
EBITDA	53,445	57,012	98,392	1,32,589
YoY gr. (%)	(26.8)	6.7	72.6	34.8
Margin (%)	7.6	6.5	9.3	10.8
Depreciation and Amortization	30,315	27,865	30,580	34,312
EBIT	23,130	29,147	67,812	98,277
Margin (%)	3.3	3.3	6.4	8.0
Net Interest	1,008	1,259	1,473	1,812
Other Income	29,464	17,935	23,279	27,910
Profit Before Tax	51,586	45,823	89,617	1,24,375
Margin (%)	7.3	5.2	8.5	10.1
Total Tax	9,297	8,160	19,671	27,300
Effective tax rate (%)	18.0	17.8	22.0	22.0
Profit after tax	42,289	37,663	69,946	97,074
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	42,289	37,663	69,946	97,074
YoY gr. (%)	-	-	-	-
Margin (%)	6.0	4.3	6.6	7.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	42,289	37,663	69,946	97,074
YoY gr. (%)	(25.2)	(10.9)	85.7	38.8
Margin (%)	6.0	4.3	6.6	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	302	302	302	302
EPS (Rs)	140.0	124.7	231.6	321.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	3,14,553	3,69,553	4,14,553	4,54,553
Tangibles	3,14,553	3,69,553	4,14,553	4,54,553
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,64,983	2,32,380	2,62,960	2,97,272
Tangibles	1,64,983	2,32,380	2,62,960	2,97,272
Intangibles	-	-	-	-
Net fixed assets	1,49,570	1,37,173	1,51,593	1,57,281
Tangibles	1,49,570	1,37,173	1,51,593	1,57,281
Intangibles	-	-	-	-
Capital Work In Progress	14,898	29,294	30,759	32,297
Goodwill	-	-	-	-
Non-Current Investments	4,05,705	3,95,471	4,40,471	5,00,471
Net Deferred tax assets	(3,847)	2,027	2,027	2,027
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	12,162	12,162	12,162	12,162
Inventories	30,500	35,331	40,580	47,089
Trade receivables	12,766	20,301	23,189	26,908
Cash & Bank Balance	30,364	35,764	57,308	76,013
Other Current Assets	12,169	39,824	39,824	39,824
Total Assets	7,00,674	7,31,889	8,25,111	9,24,193
Equity				
Equity Share Capital	1,510	1,510	1,510	1,510
Other Equity	5,12,158	5,39,350	5,89,666	6,59,561
Total Networkth	5,13,668	5,40,860	5,91,176	6,61,071
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,888	3,819	4,319	4,819
Trade payables	1,01,617	97,610	1,33,334	1,54,721
Other current liabilities	76,654	91,627	98,308	1,05,609
Total Equity & Liabilities	7,00,674	7,31,889	8,25,111	9,24,193

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	51,586	45,823	89,617	1,24,375
Add. Depreciation	30,315	27,865	30,580	34,312
Add. Interest	1,008	1,259	1,473	1,812
Less Financial Other Income	29,464	17,935	23,279	27,910
Add. Other	(29,464)	(17,935)	(23,279)	(27,910)
Op. profit before WC changes	53,445	57,012	98,392	1,32,589
Net Changes-WC	45,640	(23,084)	31,612	15,536
Direct tax	(11,434)	(14,034)	(19,671)	(27,300)
Net cash from Op. activities	87,651	19,894	1,10,333	1,20,825
Capital expenditures	(23,597)	(29,864)	(46,465)	(41,538)
Interest / Dividend Income	-	-	-	-
Others	23,889	17,935	23,279	27,910
Net Cash from Inv. activities	292	(11,929)	(23,186)	(13,628)
Issue of share cap. / premium	599	7,649	-	-
Debt changes	3,825	(1,069)	500	500
Dividend paid	(13,590)	(18,120)	(19,630)	(27,180)
Interest paid	(1,008)	(1,259)	(1,473)	(1,812)
Others	-	-	-	-
Net cash from Fin. activities	(10,174)	(12,799)	(20,603)	(28,492)
Net change in cash	77,769	(4,834)	66,543	78,705
Free Cash Flow	64,054	(9,970)	63,868	79,287

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	1,77,707	2,05,389	2,32,460	2,67,400
YoY gr. (%)	332.7	9.6	(0.9)	11.3
Raw Material Expenses	1,32,905	1,55,770	1,75,031	1,96,667
Gross Profit	44,802	49,619	57,429	70,733
Margin (%)	25.2	24.2	24.7	26.5
EBITDA	8,211	8,549	15,590	24,268
YoY gr. (%)	(195.1)	(55.8)	(30.0)	21.9
Margin (%)	4.6	4.2	6.7	9.1
Depreciation / Depletion	7,432	7,561	6,400	6,472
EBIT	779	988	9,190	17,796
Margin (%)	0.4	0.5	4.0	6.7
Net Interest	222	225	252	560
Other Income	5,078	5,227	3,280	4,744
Profit before Tax	5,635	5,990	12,218	21,980
Margin (%)	3.2	2.9	5.3	8.2
Total Tax	1,227	1,237	2,105	3,591
Effective tax rate (%)	21.8	20.7	17.2	16.3
Profit after Tax	4,408	4,753	10,113	18,389
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,408	4,753	10,113	18,389
YoY gr. (%)	(276.7)	(65.3)	(47.9)	57.7
Margin (%)	2.5	2.3	4.4	6.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,408	4,753	10,113	18,389
YoY gr. (%)	(276.7)	(65.3)	(47.9)	57.7
Margin (%)	2.5	2.3	4.4	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,408	4,753	10,113	18,389
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

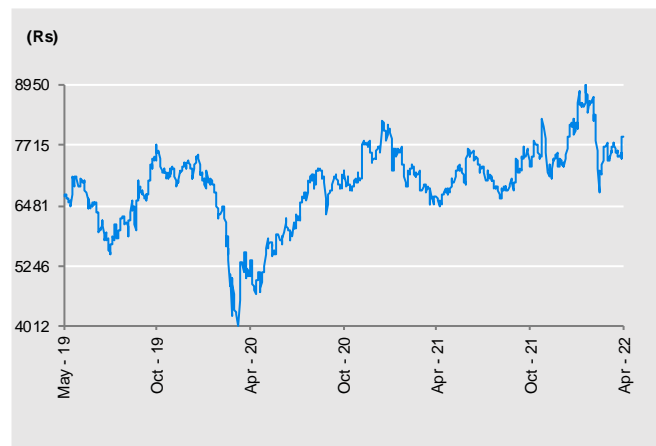
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	140.0	124.7	231.6	321.4
CEPS	240.4	217.0	332.9	435.1
BVPS	1,700.9	1,790.9	1,957.5	2,189.0
FCF	212.1	(33.0)	211.5	262.5
DPS	45.0	60.0	65.0	90.0
Return Ratio(%)				
RoCE	4.6	5.5	11.9	15.6
ROIC	4.1	5.0	10.6	14.1
RoE	8.5	7.1	12.4	15.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	(51)	(38)	(43)	(42)
Valuation(x)				
PER	55.1	61.9	33.3	24.0
P/B	4.5	4.3	3.9	3.5
P/CEPS	32.1	35.6	23.2	17.7
EV/EBITDA	42.9	40.1	23.0	17.0
EV/Sales	3.3	2.6	2.1	1.8
Dividend Yield (%)	0.6	0.8	0.8	1.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Volume (units)	14,57,861	16,52,653	19,49,971	22,04,278
Net realisation (Rs/unit)	4,82,436	5,32,148	5,42,561	5,56,951

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-22	BUY	9,000	7,565
2	27-Jan-22	Accumulate	9,607	8,603
3	12-Jan-22	Accumulate	8,550	7,297
4	28-Oct-21	Accumulate	8,097	7,356
5	07-Oct-21	Accumulate	7,888	7,493
6	28-Jul-21	Accumulate	7,684	7,165
7	07-Jul-21	UR	-	7,515

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	170	131
2	Bajaj Auto	Accumulate	4,120	3,834
3	Bharat Forge	BUY	942	740
4	CEAT	UR	-	1,108
5	Eicher Motors	BUY	3,071	2,541
6	Endurance Technologies	BUY	1,690	1,204
7	Exide Industries	BUY	218	161
8	Hero Motocorp	BUY	3,200	2,335
9	Mahindra & Mahindra	BUY	1,042	857
10	Maruti Suzuki	BUY	9,000	7,565
11	Tata Motors	BUY	656	452
12	TVS Motors	BUY	786	651

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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