

MARUTI SUZUKI INDIA LIMITED | Auto & Auto Components

LKP

Catering to higher order book entails a strong mid to long term growth

Q4 FY22 numbers of MSIL were quite impressive on the back of better realisations and margins. Top-line grew by 11.3% yoy and 15% qoq as volumes decreased by 0.7% yoy and increased 14% qoq, while realisations excelled by 12% and 1.3% respectively. Margins in the quarter jumped by 80 bps yoy and 240 bps qoq to 9.1% on softening of input costs in Q4. Precious metals as well as steel and aluminium saw some fall in prices during the quarter which led to margin expansion. Also there was a strong rise in realisations which led to margin improvement. ASPs grew on price hikes taken and lower discounts. Supply chain problem remained an issue during this quarter as well. There was a rise in both other income and other operating income which led to further growth in bottomline at 58% yoy and 82% qoq to ₹18.4 bn. During the full year volumes grew by 13.4%, while revenues went up by 26%. Margins were at 6.8%, lower by 120 bps on higher RM costs, while the bottomline fell by 11% to ₹37.6 bn.

Demand outlook remains positive over long term, chip shortage to continue till the mid-term

Vehicular demand in FY22 grew by 13% mainly on exports which grew by 113%, while domestic demand grew by 3.2% which indicates demand is still good in the PV segment. Exports zoomed due to robust demand from Africa, Latin America and Asia. Also the chip shortage did not impact exports since export models require lesser number of chips. MSIL highlighted that FY22 demand was strongly driven by personal mobility theme, higher first time car buyers and CNG variants. Similarly, sales of mild Hybrid vehicles also grew at a good pace in the year. Our interactions with dealers across country voices that demand for PVs is on a high with increasing footfalls, enquiries and demand for MSIL's Alto, Wagon R, Ertiga CNG, Baleno, Swift and Brezza are higher than other models. The recently launched new Celerio and Baleno are finding good demand while the new XL6 launched last week is also expected to do well. With monsoon expected to pan out well, we believe rural markets (43.6% of volumes for MSIL) to perform even better. Reviving economy as well should fuel demand for 4 wheelers. The only issue which has been persisting since a year now is the supply side issue which the management believes to settle down in the mid-term. Due to this issue, the order book has jumped and is currently more than 3,20,000 units on the retail side, while the management has pending orders of 2,60,000 units on wholesale side. We believe this issue to get resolved well by the end of FY23 and FY24, therefore fulfilment of this order book may surely lead to a surge in FY24 volumes and overall numbers of MSIL.

Key Financials	FY 21	FY 22	FY 23E	FY 24E
Total sales (₹ bn)	703.3	883.0	1,174.6	1,406.7
EBITDA margins (%)	8.0	6.8	8.4	10.3
PAT margins (%)	6.4	4.5	6.0	7.5
EPS (₹)	140.1	124.7	225.0	338.6
P/E (x)	55.2	62.0	34.4	22.8
P/BV (x)	4.5	4.3	4.0	3.6
EV/EBITDA (x)	43.7	41.0	24.6	16.6
ROE (%)	8.2	7.0	11.7	16.0
Dividend yield (%)	0.8	0.6	1.2	2.0

Rating	Buy
Current Market Price (₹)	7,718
12 M Price Target (₹)	8,803
Potential upside (%)	14

Stock Data

FV (₹) :	5
Total Market Cap (₹ bn) :	2,320
Free Float Market Cap (₹ bn) :	1,026
52-Week High / Low (₹) :	9,050 / 6,400
2-Year High / Low (₹) :	9,050 / 4,638
1 Yr Avg. Dly Traded Volume (in lakh)	8
BSE Code / NSE Symbol	532500 / MARUTI
Bloomberg :	MSIL IN

Shareholding Pattern

(%)	Mar-22	Dec-21	Sep-21	Jun-21
Promoter	56.37	56.37	56.37	56.37
FPIs	22.57	23.60	22.52	22.90
MFs	8.22	7.34	7.47	7.47
FI's/Insurance	7.90	7.82	8.22	8.13
Others	4.94	4.87	5.42	5.13

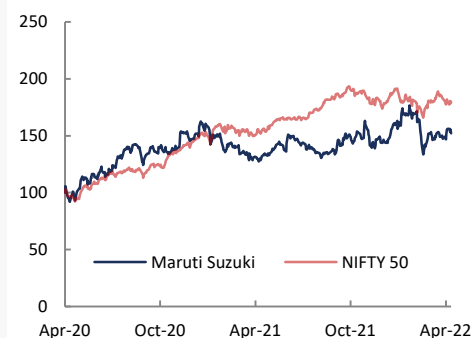
Source: BSE

Price Performance

(%)	1M	3M	6M	1YR
Maruti Suzuki	3.7%	-9.7%	3.1%	17.5%
Nifty 50	-1.3%	0.0%	-3.2%	14.8%

* To date / current date : April 29, 2022

Maruti Suzuki vs Nifty 50



Resumption of new product launches to drive growth ahead

After a gap of two years, management has given a robust outlook on new product launches, with a mix of complete product upgrades and new model launches. Main focus shall be on SUVs where MSIL has a weak presence. Non SUV market share of MSIL is about 67%, while including it is just above 43%. With new launches, we expect a good upliftment of volumes, market share and a margin recovery.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q4 FY22	Q3 FY22	% qoq	Q4 FY21	% yoy
Total income	2,67,400	2,32,460	15.0	2,40,237	11.3
Raw material costs	1,96,667	1,75,041	12.4	1,77,509	10.8
Employee costs	10,258	9,699	5.8	9,003	13.9
Other expenses	36,207	32,140	12.7	33,814	7.1
EBITDA	24,268	15,580	55.8	19,911	21.9
EBITDA margins %	9.1%	6.7%	240 bps	8.3%	80 bps
Depreciation & Amortization	6,472	6,400	1.1	7,410	(12.7)
Interest expenses	560	252	122.2	324	72.8
Other income	4,744	3,280	44.6	898	428.3
PBT	21,980	12,208	80.0	13,075	68.1
Tax	3,591	2,105	N/A	1,414	154.0
Adjusted PAT	18,389	10,103	82.0	11,661	57.7
Exceptional items	-	-	NA	-	NA
Reported PAT (₹)	18,389	10,103	82.0	11,661	57.7

Source: Company, LKP Research

Margins to remain under pressure in near term, but should grow in the longer term

MSIL hit a strong margin of 9.1%, as commodity costs reduced (77.1% of sales v/s 78.9% qoq and 77.3%) coupled with lower discounts (₹11,130 v/s 16,642 yoy and 15,000 qoq). The company has been taking price hikes on its various models in cognizance with the demand pick up. Also after regular intervals MSIL has been taking price hikes to mitigate input cost headwinds in FY22. Input costs have again firmed up in Q1 FY23 now which may impact margins during the quarter. However, with sharp rise in demand, company will keep on taking price hikes which will be well absorbed and in line with these price hikes, higher volume growth in FY 23-24 in line with slow and steady supply revival, alternative sourcing, bigger model launches, increasing capacity utilization levels and company level cost savings we expect margins to grow in the ensuing years.

Outlook and Valuation

MSIL reported a better margin performance in the quarter on lower input costs and discounts. The demand is going quite strong driven by personal mobility theme, first time buyers, new variant launches and CNG variants. Going forward, with supply issues getting resolved sooner or later, we believe that the strong order book, newer launches, digitization of sales, expanding dealer network, higher capacity utilization rates and price hikes should trigger a superior volume and margin profile in the ensuing years. An aggressive EV + Hybrid plan of the management led by ₹104 bn capex at Gujarat towards these models entails a big bang entry of MSIL in 2025 in the EV + Hybrid domain. With ability to combat competition coming from EV shift and opening up of rural markets which were severely impacted by Covid Wave #2, company is poised for a healthy growth here-on. Despite the short to mid-term issues, we remain sanguine on the stock with a target of ₹8,803.

Per unit parameters	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Net Realisation/unit (₹)	4,80,098	4,49,961	4,48,414	4,66,414	4,75,044	6,02,806	5,15,190	5,21,940
Material Cost/unit (₹)	3,83,347	3,33,587	3,43,128	3,60,618	3,75,837	4,86,579	4,06,441	4,02,322
Employee cost per unit (₹)	95,341	21,031	19,066	18,290	30,097	30,056	22,521	20,985
EBITDA/unit (₹)	(1,12,717)	49,185	44,890	40,450	23,220	26,705	36,176	49,645
PAT/unit (₹)	(32,559)	34,889	39,149	23,690	12,465	14,847	23,459	37,618

Source: Company, LKP Research

Income Statement

(₹ mn)	FY 21	FY 22	FY 23E	FY 24E
Total Revenues	7,03,325	8,82,956	11,74,553	14,06,665
Raw Material Cost	5,08,172	6,60,373	8,60,745	10,22,396
Employee Cost	34,029	40,222	55,961	60,854
Other Exp	1,08,399	1,26,794	1,63,640	1,83,420
EBITDA	53,453	57,012	94,808	1,40,595
<i>EBITDA Margin(%)</i>	<i>8.0</i>	<i>6.8</i>	<i>8.4</i>	<i>10.3</i>
Other Income	29,464	17,935	20,000	22,000
Depreciation	30,315	27,865	29,516	34,756
EBIT	52,602	47,082	85,292	1,27,840
<i>EBIT Margin(%)</i>	<i>7.9</i>	<i>5.6</i>	<i>7.6</i>	<i>9.4</i>
Interest	1008	1259	1400	1600
PBT	51,594	45,823	83,892	1,26,240
<i>PBT Margin(%)</i>	<i>7.8</i>	<i>5.5</i>	<i>7.4</i>	<i>9.3</i>
Tax	9,297	8,160	15,939	23,986
PAT	42,297	37,663	67,952	1,02,254
<i>PAT Margins (%)</i>	<i>6.4</i>	<i>4.5</i>	<i>6.0</i>	<i>7.5</i>
Minority interest	0	0	0	0
Exceptional items	0	0	0	0
Adj PAT	42,297	37,663	67,952	1,02,254
<i>Adj PAT Margins (%)</i>	<i>6.4</i>	<i>4.5</i>	<i>6.0</i>	<i>7.5</i>

Key Ratios

YE Mar	FY 21	FY 22	FY 23E	FY 24E
Per Share Data (₹)				
Adj. EPS	140.1	124.7	225.0	338.6
CEPS	240.4	217.0	322.7	453.7
BVPS	1700.9	1790.9	1925.9	2118.9
DPS	62.7	47.0	94.1	152.1
Growth Ratios(%)				
Total revenues	-7.2	25.9	34.7	20.4
EBITDA	-26.8	6.7	66.3	48.3
PAT	-25.1	-11.0	80.4	50.5
EPS Growth	-25.1	-11.0	80.4	50.5
Valuation Ratios (X)				
PE	55.2	62.0	34.4	22.8
P/CEPS	32.2	35.6	24.0	17.0
P/BV	4.5	4.3	4.0	3.6
EV/EBITDA	43.7	41.0	24.6	16.6
Operating Ratios (Days)				
Inventory days	17.0	17.0	17.0	17.0
Receivable Days	8.0	8.0	8.0	8.0
Payables day	2.4	2.4	2.4	2.4
Net Debt/Equity (x)	0.01	0.01	0.01	0.01
Profitability Ratios (%)				
ROCE	(1.2)	2.0	7.5	12.6
ROE	8.2	7.0	11.7	16.0
Dividend payout	44.8	37.7	41.8	44.9
Dividend yield	0.8	0.6	1.2	2.0

Balance Sheet

(₹ mn)	FY 21	FY 22	FY 23E	FY 24E
Equity and Liabilities				
Equity Share Capital	1,510	1,510	1,510	1,510
Reserves & Surplus	5,12,158	5,39,350	5,80,121	6,38,406
Total Networth	5,13,668	5,40,860	5,81,631	6,39,916
Total debt	0	0	0	0
Net Deferred Tax	3,847	0	0	0
Other long term liabilities	21,292	21,811	21,811	21,811
Long term provisions	800	1,135	1,135	1,135
Current Liab & Prov				
Short term borrowings	4,888	3,819	4,119	4,419
Other current liabilities	48,080	60,095	60,095	60,095
Trade payables	1,01,617	97,610	1,39,137	1,78,674
Total provisions	7,416	8,613	8,613	8,613
Total current Liabilities	1,62,001	1,70,137	2,11,964	2,51,801
Total Equity & Liabilities	7,01,608	7,33,943	8,16,541	9,14,663
Assets				
Net block	1,41,511	1,27,995	1,63,479	2,13,723
Capital WIP	11,923	26,391	31,391	43,391
Intangible Assets	5,217	6,402	6,402	6,402
Non current Investments	3,33,710	3,66,632	3,66,632	3,66,632
Other non current assets	363	370	370	370
Total fixed assets				
Current investments	84,157	41,001	55,001	63,001
Cash and Bank	323	320	1,266	2,850
Bank balance other than cash	30,042	30,042	30,042	30,042
Inventories	30,500	35,331	51,881	64,425
Trade receivables	12,766	20,301	30,919	44,668
Loan, Advances & others	230	305	305	305
Other current assets	22,788	40,512	40,512	40,512
Total current Assets	1,80,806	1,67,812	2,09,926	2,45,804
Total Assets	7,01,608	7,33,943	8,16,541	9,14,663

Cash Flow

(₹ mn)	FY 21	FY 22	FY 23E	FY 24E
PBT	51,594	45,823	83,892	1,26,240
Depreciation	30,315	27,865	29,516	34,756
Interest	1,008	1,259	1,400	1,600
Tax paid	-10,107	-11,769	-15,939	-23,986
Other operating activities	-27,774	-17,168	0	0
Cash flow from operations (a)	88,388	17,912	1,13,227	1,51,853
Capital expenditure	-21,316	-32,057	-70,000	-97,000
Chng in investments	-49,492	30,533	-14,000	-8,000
Other investing activities	-2,031	-366	0	0
(Inc)/dec in Intangible assets	420	1,360	0	0
(Inc)/dec in Other non curr. assets	-2,587	-2,245	0	0
Cash flow from investing (b)	-72,839	-1,890	-84,000	-1,05,000
Free cash flow (a+b)	15,549	16,022	29,227	46,853
Equity raised/(repaid)	0	0	0	0
Inc/dec in borrowings	3,723	-1,140	300	300
Dividend paid (incl. tax)	-18,125	-13,594	-27,181	-43,969
Other financing activities	-1,006	-1,291	-1,400	-1,600
Cash flow from financing (c)	-15,408	-16,025	-28,281	-45,269
Net chng in cash (a+b+c)	141	-3	946	1,584
Closing cash & cash equivalents	323	320	1,266	2,850

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