

Maruti Suzuki India Ltd.



Maruti Suzuki India Ltd.

Chip shortages led to decline in domestic sales; exports at record high

CMP INR 7,631	Target INR 9,106	Potential Upside 19.3%	Market Cap (INR Mn) INR 2,305,173 Mn	Recommendation BUY	Sector Automobile
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Result highlights

- For Q4FY22, Maruti Suzuki India reported revenue growth was 11.3% YoY (15% QoQ) to INR 2,67,492 Mn. For FY22 revenues stood at INR 8,83,298 Mn, up 25.5% from FY21.
- For Q4FY22 total vehicle sales were down 0.7% YoY, domestic market vehicle sales were down by 8% YoY. Total PV sales were down 7.7% YoY for the quarter. For FY22, total PV sales were up 2.9% from FY21 and total exports were up 148% standing 2,38,376 units.
- EBITDA up by 21.6% YoY/55.5% QoQ, standing at INR 24,290 Mn in Q4FY22. In FY22 EBITDA was up by 7.8% at INR 57,062 Mn.
- For the quarter, Net profit stood at INR 18,758 (+51.1% YoY), with NPM at 7.0% (+185 bps YoY). For FY22, Net profit was at INR 38,795 (down 11.6% YoY). NPM for the year was at 4.4% (-184 bps YoY).
- The Board recommended a final dividend of INR 60 per share (Nominal value INR 5.00 per share).

MARKET DATA

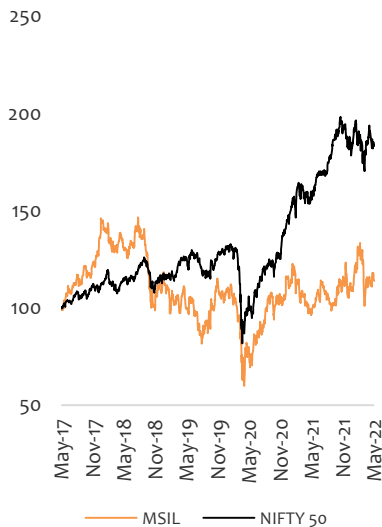
Shares outs (Mn)	302
Mkt Cap (INR Mn)	2,305,173
52 Wk H/L (INR)	9,050/6,400
Volume Avg (3m K)	871
Face Value (INR)	5
Bloomberg Code	MSIL : IN

KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue from operation	7,56,600	7,03,720	8,83,298	9,25,058	10,18,057
EBITDA	71,909	52,209	55,617	71,229	1,08,525
PAT	56,776	43,891	38,795	54,619	85,936
EPS	188	145	128	181	285
EBITDA Margin	9.5%	7.4%	6.3%	7.7%	10.7%
NPM	7.5%	6.2%	4.4%	5.9%	8.4%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



A healthy growth in revenues despite volume slowdown: For Q4FY22, Maruti Suzuki India Ltd reported total revenue from operations of INR 2,67,492 Mn, reporting a growth of 11.3% YoY (15% QoQ). The revenue came in-line with our estimates (0.7% higher). There was a slight decline in volume sales YoY (0.7%) due to chip shortages, while exports were up 92% YoY, the highest ever in a quarter, standing at 68,545 units. For FY22, revenue stood at INR 8,83,298 Mn (+25.5% YoY). For FY22 domestic volumes grew by 3.9% YoY at 14,14,277 units due to the slow recovery of supply constraints, whereas the export volume increased 148% YoY to 2,38,376 units. The passenger vehicle sales continue to witness a decent growth of 3.9% YoY, standing at 13,31,558 units in FY22. The average realization for Q4FY22 was at INR 5,21,924 per unit (up by 11.6% YoY). For FY22, average realization stood at INR 5,07,062 per unit (+11% YoY). Going forward, the rising prices of fuel will give a boost to the CNG vehicles to grow. Thus, the company is expected to launch new variants in the CNG segment and focus on the hybrid technology in upcoming quarters. The exports are expected to remain key growth drivers for the company and support strong growth in volumes and revenues.

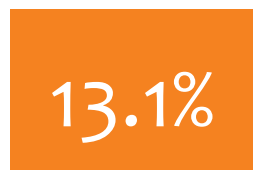
Margin remained impressive but pressure continues: In Q4FY22, EBITDA margins were up by 78 bps YoY and 238 bps QoQ. The company's input costs increased by 2% but savings in other areas and more export growth helped the margins to increase marginally YoY. EBITDA for The company stood at INR 24,290 Mn (up 21.8% YoY and 55.5% QoQ). For FY22, EBITDA stood at INR 57,062 (up 7.8% YoY), with margins at 6.7% (down 106 bps YoY). MSIL expects Q1FY23E to see full effect of the rising input costs, as this quarter the impact was minor/ negligible to measure for the company. For the quarter, Net profit stood at INR 18,758 Mn (up by 51.1% YoY) with NPM at 7% (up by 185 bps). For FY22, PAT stood at INR 38,795 (down by 11.9% YoY) with NPM at 4.4% (down by 184 bps YoY). In Q4FY22, the prices of metals like steel, aluminum and other precious metals were of concern to the auto industry but MSIL's margins did really well with selling price increase and cost cuts (like low promotion expenses). The operating profits are expected to grow on the back of improved sales, price hikes and improving operating efficiencies.

MARKET INFO

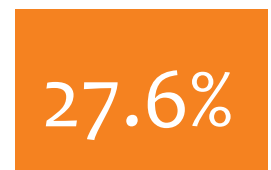
SENSEX	56,796
NIFTY	17,069

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	56.4	56.4	56.4
FIIs	22.6	23.6	22.5
DIIs	16.2	15.3	16
Others	4.8	4.7	5.1
Total	100	100	100



Revenue CAGR between FY21 and FY24E



EBITDA CAGR between FY21 and FY24E

Maruti Suzuki India Ltd.

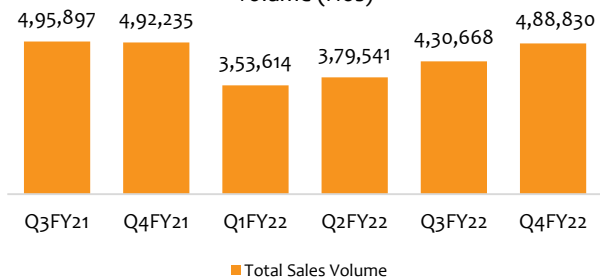
Key Concall Highlights:

(1) The company launched 2 new products, the new Baleno and Celerio. (2) Since its launch in February 2022, there have been 80,000 bookings for the new Baleno. (3) Maruti also launched CNG version of Dzire. (4) Maruti sold over 2,30,000 CNG vehicles and registered highest ever CNG vehicle sales in any financial year. (5) In 2022 8 out of the top 10 best-selling passenger vehicles were from Maruti. (6) Percentage of non-urban sales as a part of total sales increase to 43.6% in the financial year. (7) Suzuki motor corporation (The parent company) through Suzuki Gujarat signed an MoU with government of Gujarat to invest over INR 100 bn in BEV batteries and capacity, this will help BEV global manufacturing and will help to expand product portfolio in India. (8) Maruti plans to introduce first BEV in 2025. (9) The company couldn't produce 270K models estimate due to component shortage, mostly for sale in domestic market. (10) There were pending 260K vehicles customer order at the end of this year. (10) Maruti recorded highest ever vehicle export. (11) Supplier situation of component supply is unpredictable and could affect 2023. (12) Current order book is more than 3.26 lakhs. Retail number in Q4 is 3.73 lakhs. (13) Hybrid is an option for The company. (14) There are concerns with steel and other commodities like aluminum. Steel is about 50% of Maruti's commodity exposure. (15) Average discounts for this quarter were at 11,150, lower than last year same quarter 16,642. (16) Inventory were at 40K cars at the end of Q4. (17) Measures for increase in exports include more products, increase in network presence, reaching out through Toyota channel, use of innovative domestic selling practice. (18) Africa was #1 export market. According to The company, these levels are sustainable, and they would like to consolidate. (19) Non-SUV segment market share is above 65%, it has gone up. (20) 1HFY23 Maruti expects there will be price increase of steel. (21) 40% of backlog is on CNG because of semiconductor chips. (22) Chip availability has led to more focus on exports because specs in the chips of export vehicles are different. (23) The company expects demand will exist in June quarter even with seasonality, but supply will depend on semiconductors availability.

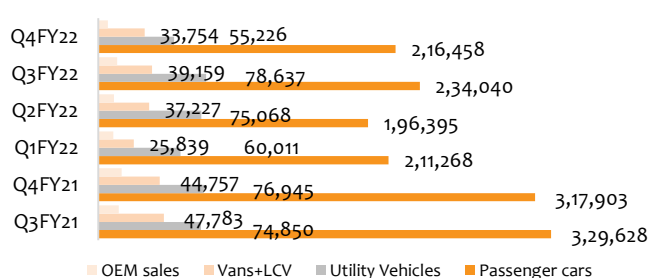
Valuation and view

Looking at Q4FY22 & FY22 performance, domestic market sales slowed down because of chip shortages, but the company reported strong export sales. The chip shortages for domestic vehicles didn't impact export vehicle sales because different chips are used in those vehicles. Input costs also saw an increase due to metal prices going up. Still, The company delivered strong margins for the quarter by increasing the selling price and lowering promotion & discount costs. We revise our numbers upwards for FY24E on Maruti Suzuki India Ltd based on its strong product pipeline, recovery in volumes for domestic segment, expansion in margins led by the company's ability to control costs. **We have accounted for recovery in domestic sales as chip shortages subside and we expect the company to continue to do well with exports. We have assigned a P/E multiple of 32x on FY24E EPS of INR 284.6 to arrive at a revised target price of INR 9,106/share (earlier target INR 8,000/share). The target price implies a potential upside of 19.3% from the CMP. Accordingly, we revise our rating to "BUY" from "ACCUMULATE" on the shares of Maruti Suzuki India Ltd based on the re-rating assumption with improvement in the overall financial metrics..**

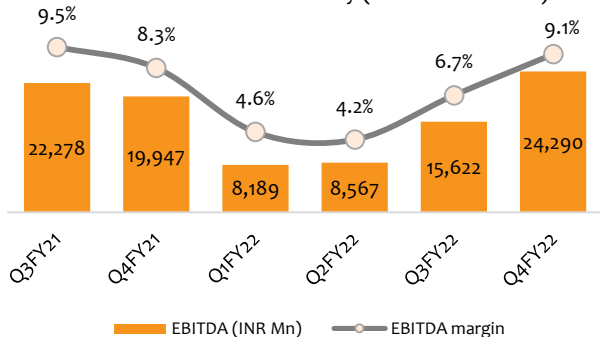
Total Sales volume increase led by export sales volume (Nos)



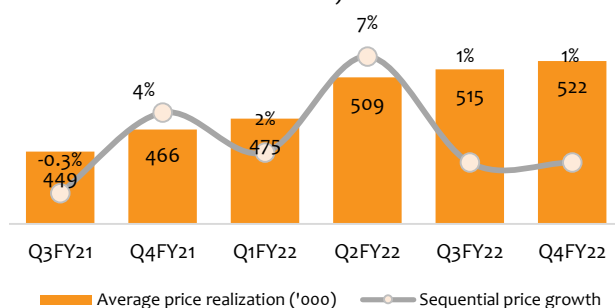
Passenger & utility cars impacted the most (Nos)



EBITDA & OPM sees recovery (INR Mn & OPM %)



Average Price Realization trending upwards (INR '000)



Source: Company, KRChoksey Research

Maruti Suzuki India Ltd.

KEY FINANCIALS

Particulars (Mn)	Q4FY22	Q3FY22	Q4FY21	QoQ	YoY	FY22	FY21	Y-o-Y
No. Of. Vehicles Sold	4,88,830	4,30,668	4,92,235	13.5%	(0.7%)	16,52,653	14,57,861	13.4%
Revenues (INR)	2,67,492	2,32,533	2,40,345	15.0%	11.3%	8,83,298	7,03,720	25.5%
Total Expenditure	2,50,242	2,23,570	2,28,140	11.9%	9.7%	8,55,392	6,82,142	25.4%
Cost of material consumed	1,19,373	1,00,421	1,20,660	18.9%	(1.1%)	3,97,396	3,32,964	19.4%
Purchases of stock in trade	78,726	70,809	60,514	11.2%	30.1%	2,63,975	1,72,541	53.0%
Change in inventories	-1,416	3,810	-3,661	NM	(61.3%)	-931	2,736	NM
Employee benefits expense	10,315	9,777	9,060	5.5%	13.9%	40,514	34,316	18.1%
Other expenses	36,204	32,094	33,825	12.8%	7.0%	1,25,282	1,08,226	15.8%
EBITDA	24,290	15,622	19,947	55.5%	21.8%	57,062	52,937	7.8%
EBITDA Margin (%)	9.1%	6.7%	8.3%	236bps	78bps	6.5%	7.5%	-106bps
Depreciation	6,478	6,406	7,416	1.1%	(12.6%)	27,890	30,341	(8.1%)
EBIT	17,812	9,216	12,531	93.3%	42.1%	29,172	22,596	29.1%
EBIT Margin (%)	6.7%	4.0%	5.2%	270bps	145bps	3.3%	3.2%	9bps
Finance cost	562	253	326	122.1%	72.4%	1,266	1,018	24.4%
Other income	4,427	3,279	897	35.0%	393.5%	17,447	29,942	(41.7%)
Pretax Income	22,393	12,517	13,836	78.9%	61.8%	46,972	53,210	(11.7%)
Tax	3,635	2,099	1,425	73.2%	155.1%	8,177	9,319	(12.3%)
Net profit	18,758	10,418	12,411	80.1%	51.1%	38,795	43,891	(11.6%)
Net Profit Margin (%)	7.0%	4.5%	5.2%	253bps	185bps	4.4%	6.2%	-184bps
Diluted EPS (INR)	62.11	34.50	41.10	80.1%	51.1%	128.46	145.33	(11.6%)

Profit & Loss Statement

INR Million	FY20	FY21	FY22	FY23E	FY24E
Sales of Product	7,17,048	6,65,718	8,37,998	8,77,616	9,65,846
Other operating revenue	39,552	38,002	45,300	47,442	52,211
Revenue from operations	7,56,600	7,03,720	8,83,298	9,25,058	10,18,057
Total Expenditure	7,20,100	6,82,142	8,55,392	8,86,194	9,42,877
Cost of material consumed	3,46,348	3,32,964	3,97,396	4,25,526	4,63,216
Purchases of stock in trade	1,87,672	1,72,541	2,63,975	2,49,766	2,64,695
Employee benefits expense	34,162	34,316	40,514	41,628	40,722
EBITDA	71,909	52,209	55,617	71,229	1,08,525
D&A	35,284	30,341	27,890	30,860	31,985
Operating profit	36,625	21,868	27,727	40,370	76,540
Other income, net	1,342	1,018	1,266	3,020	3,026
Pretax Income	71,028	53,210	46,972	68,274	1,07,420
Income tax expense	14,252	9,319	8,177	13,655	21,484
Net profit	56,776	43,891	38,795	54,619	85,936
Diluted EPS (INR)	188	145	128	181	285
No. of Shares (mn) - Diluted	302	302	302	302	302

Source: Company, KRChoksey Research

Maruti Suzuki India Ltd.

Balance Sheet

INR Million	FY20	FY21	FY22	FY23E	FY24E
Assets					
Cash and equivalents	290	30,471	30,422	27,667	40,582
Inventories	32,139	30,490	35,323	37,154	39,517
Investments	12,188	84,157	41,001	41,001	41,001
Trade receivables	21,298	12,799	20,345	20,275	27,892
Loans	170	230	305	305	305
Other financial assets	5,075	6,427	25,930	31,116	37,339
Current tax assets	5,272	5,407	0	0	0
Other current assets	7,974	15,462	14,608	15,299	16,837
Total current assets	84,406	1,85,443	1,67,934	1,72,817	2,03,473
Property, plant and equipment	1,47,905	1,41,785	1,28,261	1,53,534	1,62,271
Capital WIP	13,443	11,993	26,462	31,754	38,105
Intangible assets	4,067	5,217	6,402	6,402	6,402
Investments	3,62,692	3,45,291	3,79,346	4,03,624	4,29,456
Loans	2	2	2	2	2
Other financial assets	365	369	375	375	375
Other noncurrent assets	17,216	16,867	32,061	33,664	35,347
Total non-current assets	4,31,625	4,31,625	4,31,625	4,31,625	4,31,625
Total Assets	6,36,277	7,12,827	7,46,555	8,09,027	8,83,657
Liabilities and equity					
Borrowings	1,063	4,888	3,819	4,888	4,888
Trade payables	74,988	1,01,681	97,652	1,30,040	1,44,238
Other financial liabilities	9,040	12,720	20,272	19,258	18,295
Provisions	6,807	7,428	8,613	8,182	7,773
Current tax liability	6,962	8,547	11,113	10,557	10,029
Other current liabilities	14,091	25,867	28,686	27,252	25,889
Total current liabilities	1,13,054	1,61,205	1,70,235	2,00,258	2,11,194
Borrowings	54	28	0	145	155
Provisions	516	447	844	760	684
DTL	6,575	4,454	0	0	0
Other noncurrent liabilities	21,158	21,295	21,812	20,721	19,685
Total liabilities	1,41,955	1,87,821	1,93,220	2,22,213	2,32,047
Equity share capital	1,510	1,510	1,510	1,510	1,510
Other equity	4,92,620	5,23,496	5,51,825	5,85,304	6,50,100
Non controlling interests	192	0	0	0	0
Total equity	4,94,322	5,25,006	5,53,335	5,86,814	6,51,610
Total liabilities and equity	6,36,277	7,12,827	7,46,555	8,09,027	8,83,657

Free Cash Flow Analysis

INR Crores	FY20	FY21	FY22	FY23E	FY24E
Net Cash Generated From Operations	34,958	88,562	18,405	1,06,981	1,11,330
Net Cash Flow from/(used in) Investing Activities	-5,566	-72,913	-2,392	-88,440	-75,959
Net Cash Flow from Financing Activities	-30,980	14,532	-16,070	-21,287	-22,456
Net Inc/Dec in cash equivalents	-1,588	30,181	-57	-2,747	12,915
Closing Balance Cash and Cash Equivalents	290	30,471	30,414	27,667	40,582

Ratio Analysis

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	9.5%	7.4%	6.3%	7.7%	10.7%
Tax rate (%)	20.1%	17.5%	17.4%	20.0%	20.0%
Net Profit Margin (%)	7.5%	6.2%	4.4%	5.9%	8.4%
RoE (%)	11.8%	8.6%	7.2%	9.6%	13.9%
RoCE (%)	7.4%	4.1%	5.0%	6.8%	11.7%
Current Ratio (x)	0.75x	1.15x	0.99x	0.86x	0.96x
EPS (INR per share)	188	145	128	181	285

Source: Company, KRChoksey Research

Maruti Suzuki India Ltd.

Maruti Suzuki India Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
03-May-2022	7,631	9,106	BUY	Buy	More than 15%
27-Jan-2022	8,820	9,557	ACCUMULATE		
02-Nov-2021	7,616	8,000	ACCUMULATE	Accumulate	5% – 15%
30-July-2021	6,994	8,000	ACCUMULATE		
04-May-2021	6,598	8,000	BUY	Hold	0 – 5%
17-Mar-2021	7,150	8,505	BUY		
15-Dec-2020	6,501	7,182	ACCUMULATE	Reduce	-5% – 0
24-Sep-2020	6,295	7,182	ACCUMULATE		
14-May-2020	5,114	5,569	ACCUMULATE	Sell	Less than – 5%
29-Jan-2020	7,022	7,401	ACCUMULATE		

ANALYST CERTIFICATION:

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