

January 25, 2023

Q3FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	10,600		10,000	
Sales (Rs. m)	13,56,198	15,11,044	13,32,079	15,08,797
% Chng.	1.8	0.1		
EBITDA (Rs. m)	1,52,589	1,80,497	1,50,747	1,82,022
% Chng.	1.2	(0.8)		
EPS (Rs.)	359.3	423.8	348.2	421.1
% Chng.	3.2	0.6		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	883	1,156	1,356	1,511
EBITDA (Rs. bn)	57	107	153	180
Margin (%)	6.5	9.3	11.3	11.9
PAT (Rs. bn)	38	77	109	128
EPS (Rs.)	124.7	253.7	359.3	423.8
Gr. (%)	(10.9)	103.4	41.6	18.0
DPS (Rs.)	60.0	65.0	90.0	90.0
Yield (%)	0.7	0.7	1.0	1.0
RoE (%)	7.1	13.5	17.0	17.5
RoCE (%)	5.5	13.9	18.7	19.8
EV/Sales (x)	2.5	1.8	1.5	1.3
EV/EBITDA (x)	38.6	19.8	13.3	10.7
PE (x)	69.8	34.3	24.2	20.5
P/BV (x)	4.9	4.4	3.9	3.4

Key Data

MRTI.BO | MSIL IN

52-W High / Low	Rs.9,769 / Rs.6,537
Sensex / Nifty	60,979 / 18,118
Market Cap	Rs.2,628bn/ \$ 32,155m
Shares Outstanding	302m
3M Avg. Daily Value	Rs.5123.14m

Shareholding Pattern (%)

Promoter's	56.37
Foreign	21.84
Domestic Institution	18.24
Public & Others	3.55
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.8	(1.5)	8.0
Relative	4.9	(9.4)	1.9

Himanshu Singh

himanshuksingh@plindia.com |

Mansi Lall

mansilall@plindia.com | 91-22-66322391

Rise in SUV mix to continue to help

Quick Pointers:

- Current order book stands at ~363k units (119k units for the new models).
- Focus is on regaining lost market share through newly launched SUV models.

We increase our EPS estimates by 6/3/1% for FY23/24/25 as we build in higher realisations led by improved product mix along with volumes for newly launched Jimny and Fronx. In 3QFY23, Maruti's (MSIL) EBITDA margin at 9.8% expanded 50bps QoQ led by (1) better-than-expected realisations (Rs 623k, +8% QoQ) driven by increased contribution from UVs (21% vs 16% sequentially) and (2) benefit from raw material cost softening (+40 bps QoQ). The company currently has order book of 363k units of which ~33% is contributed by new models – Brezza, Vitara, Baleno. Newly launched Jimny (off-roader) and Fronx (compact SUV) have also received good response and deliveries are expected to commence from beginning of FY24. This will lead to increased contribution from UVs in product mix (we build in ~25% vs ~21% currently) along with market share gains (41% currently vs peak of 52%).

We remain positive on MSIL as the company will benefit from (1) market share gains and ASP increase coming from filling white spaces in UV portfolio, (2) c260bps increase (over FY23-25E) in EBITDA margins on the back of commodity cost softening and higher UV share and (3) rural revival. Reiterate 'BUY' with a revised target price of Rs 10,600 (Rs 10,000 earlier on Sep-24E) at 26x Dec-24E EPS.

- Better-than-expected revenue led by higher ASPs (+8% QoQ):** MSIL's revenue declined 3% QoQ at Rs 290bn (PLe: Rs 274bn), despite 10% decline in volumes. This was led by higher realization (Rs 623k, +8% QoQ) on account of increased contribution of UVs in the mix (21% vs 16% sequentially).
- Raw material cost softening & better mix led to margin expansion:** Gross margins improved sequentially to 27.3% (+40bps QoQ) on the back of RM cost benefits flowing into this quarter. EBITDA margin at 9.8% (+50bps QoQ) came in-line with our estimates. Other income improved sharply QoQ to Rs 8.6bn (Rs 6.1bn in 2Q). PAT at Rs 23.5bn grew +14% QoQ.
- Key takeaway: (1) New models contribute ~33% to pending bookings:** Currently, MSIL has an order book of 363k units, of which 119k units are contributed by new models. The company has also received healthy bookings for newly launched Jimny and Fronx. **(2) Navigating through supply issues:** In 3QFY23, production of 46k units was impacted due to electronic components shortage (~35k units last quarter). Chip supply is not yet back to 100% levels and there remains a lot of dependency on semiconductors for the production of new feature loaded models. **(3) Strong demand for UVs continue:** Management highlighted strong demand scenario with customer preference for UVs. Maruti has strengthened its product portfolio with launch of Jimny (off-roader) and Fronx (compact SUV) in this space, which will lead to better mix going ahead.

Exhibit 1: Q3FY23 Result Overview (Rs mn)

Y/e March	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Net Revenues	290,443	232,460	24.9	299,308	(3.0)	854,749	615,556	38.9
Raw Materials	211,058	175,031	20.6	218,801	(3.5)	627,561	463,706	35.3
<i>% of Net Sales</i>	<i>72.7</i>	<i>75.3</i>		<i>73.1</i>		<i>73.4</i>	<i>75.3</i>	
Personnel	12,010	9,699	23.8	11,327	6.0	34,921	29,964	16.5
<i>% of Net Sales</i>	<i>4.1</i>	<i>4.2</i>		<i>3.8</i>		<i>4.1</i>	<i>4.9</i>	
Manufacturing & Other Exp	39,044	32,140	21.5	41,491	(5.9)	117,126	89,536	30.8
<i>% of Net Sales</i>	<i>13.4</i>	<i>13.8</i>		<i>13.9</i>		<i>13.7</i>	<i>14.5</i>	
Total Expenditure	262,112	216,870	20.9	271,619	(3.5)	779,608	583,206	33.7
EBITDA	28,331	15,590	81.7	27,689	2.3	75,141	32,350	132.3
<i>EBITDA Margin (%)</i>	<i>9.8</i>	<i>6.7</i>		<i>9.3</i>		<i>8.8</i>	<i>5.3</i>	
Depreciation	7,101	6,400	11.0	7,226	(1.7)	20,841	21,393	(2.6)
EBIT	21,230	9,190	131.0	20,463	3.7	54,300	10,957	395.6
Interest Expenses	296	252	17.5	305	(3.0)	875	699	25.2
Non-operating income	8,608	3,280	162.4	6,125	40.5	15,618	13,585	15.0
PBT	29,542	12,218	141.8	26,283	12.4	69,043	23,843	189.6
Tax-Total	6,029	2,105	186.4	5,668	6.4	14,787	4,569	223.6
<i>Tax Rate (%) - Total</i>	<i>20.4</i>	<i>17.2</i>		<i>21.6</i>		<i>21.4</i>	<i>19.2</i>	
Reported PAT	23,513	10,113	132.5	20,615	14.1	54,256	19,274	181.5
Adj. PAT	23,513	10,113	132.5	20,615	14.1	54,256	19,274	181.5
<i>PAT Margin (%)</i>	<i>8.1</i>	<i>4.4</i>		<i>6.9</i>		<i>6.3</i>	<i>3.1</i>	

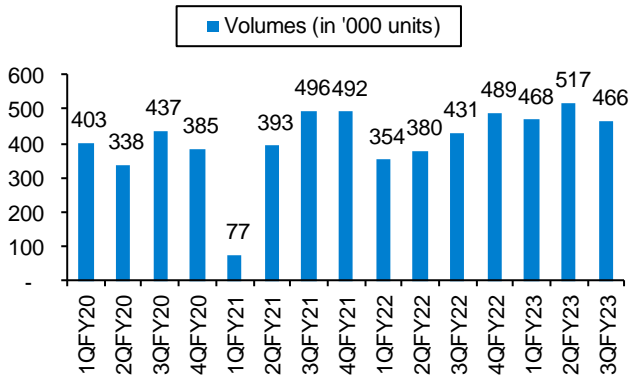
Source: Company, PL

Exhibit 2: Operating Metrics – Strong realization QoQ led by higher UV mix

Y/e March	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Volume (nos)	465,911	430,668	8.2	517,395	(10.0)	1,451,237	1,163,823	24.7
Net Realisation/Vehicle	623,387	539,766	15.5	578,490	7.8	588,980	528,909	11.4
Materiacost/vehicle	453,001	406,417	11.5	422,890	7.1	432,432	398,433	8.5
Gross Profit / vehicle	170,387	133,349	27.8	155,601	9.5	156,548	130,475	20.0
Employee cost /vehicle	25,777	22,521	14.5	21,892	17.7	24,063	25,746	(6.5)
Other expenses / vehicle	83,801	74,628	12.3	80,192	4.5	80,708	76,933	4.9
EBITDA/vehicle	60,808	36,200	68.0	53,516	13.6	51,777	27,796	86.3
Net Profit/vehicle	50,467	23,482	114.9	39,844	26.7	37,386	16,561	125.7

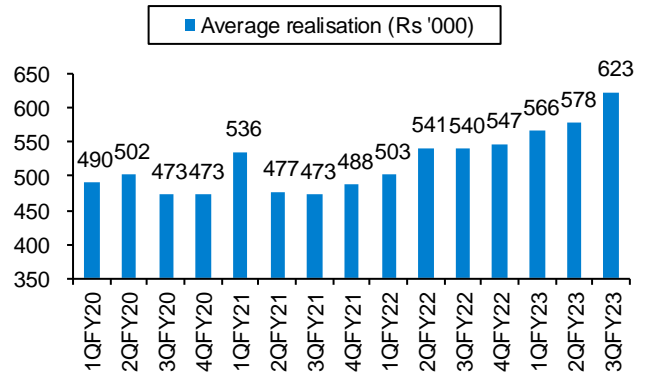
Source: Company, PL

Exhibit 3: Volumes for the quarter declined 10% QoQ



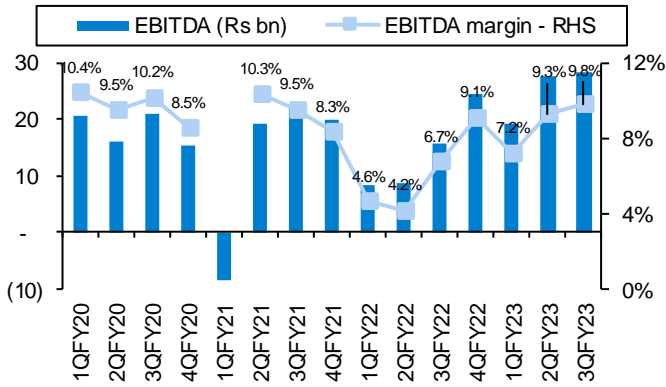
Source: Company, PL

Exhibit 4: ASPs improved owing to a better product mix



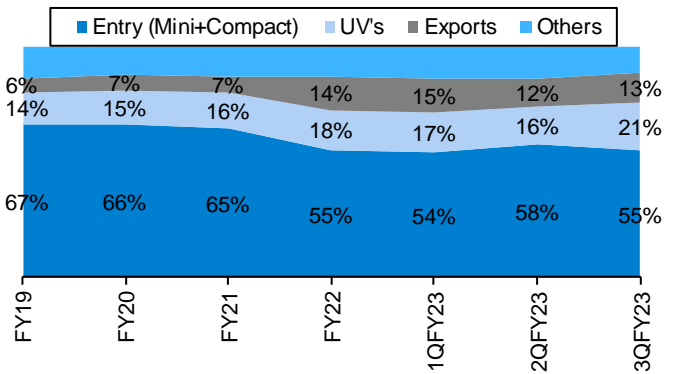
Source: Company, PL

Exhibit 5: Margin expansion led by soft commodity costs



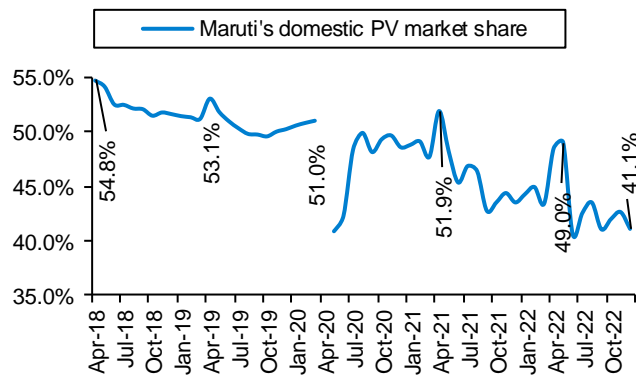
Source: Company, PL

Exhibit 6: Segment mix - Sharp fall in entry-level contribution



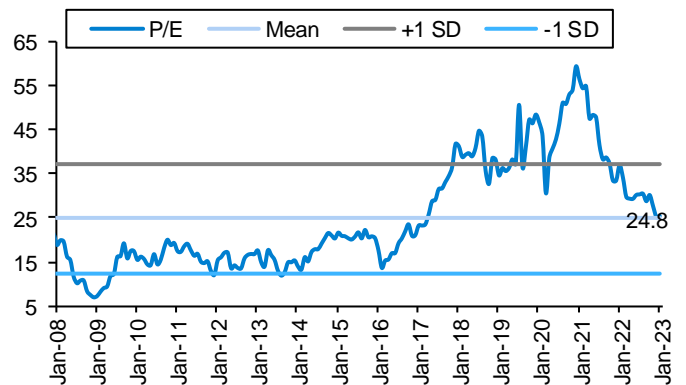
Source: Company, PL

Exhibit 7: Maruti has lost 10% market share since FY19



Source: SIAM, Company, PL

Exhibit 8: One-year forward P/E band chart



Source: Industry, Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	8,82,956	11,56,102	13,56,198	15,11,044
YoY gr. (%)	25.5	30.9	17.3	11.4
Cost of Goods Sold	6,58,928	8,45,110	9,83,244	10,87,952
Gross Profit	2,24,028	3,10,991	3,72,955	4,23,092
Margin (%)	25.4	26.9	27.5	28.0
Employee Cost	40,222	46,289	49,485	52,883
Other Expenses	1,26,794	1,57,230	1,70,881	1,89,712
EBITDA	57,012	1,07,472	1,52,589	1,80,497
YoY gr. (%)	6.7	88.5	42.0	18.3
Margin (%)	6.5	9.3	11.3	11.9
Depreciation and Amortization	27,865	28,032	32,591	35,117
EBIT	29,147	79,440	1,19,998	1,45,380
Margin (%)	3.3	6.9	8.8	9.6
Net Interest	1,259	1,385	1,523	1,676
Other Income	17,935	21,451	22,443	22,520
Profit Before Tax	45,823	99,507	1,40,917	1,66,225
Margin (%)	5.2	8.6	10.4	11.0
Total Tax	8,160	22,887	32,411	38,232
Effective tax rate (%)	17.8	23.0	23.0	23.0
Profit after tax	37,663	76,620	1,08,506	1,27,993
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	37,663	76,620	1,08,506	1,27,993
YoY gr. (%)	-	-	-	-
Margin (%)	4.3	6.6	8.0	8.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	37,663	76,620	1,08,506	1,27,993
YoY gr. (%)	(10.9)	103.4	41.6	18.0
Margin (%)	4.3	6.6	8.0	8.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	302	302	302	302
EPS (Rs)	124.7	253.7	359.3	423.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	3,69,553	4,14,553	4,54,553	4,94,553
Tangibles	3,69,553	4,14,553	4,54,553	4,94,553
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,32,380	2,60,412	2,93,003	3,28,120
Tangibles	2,32,380	2,60,412	2,93,003	3,28,120
Intangibles	-	-	-	-
Net fixed assets	1,37,173	1,54,141	1,61,550	1,66,433
Tangibles	1,37,173	1,54,141	1,61,550	1,66,433
Intangibles	-	-	-	-
Capital Work In Progress	29,294	30,759	32,297	33,911
Goodwill	-	-	-	-
Non-Current Investments	12,162	12,162	12,162	12,162
Net Deferred tax assets	2,027	2,027	2,027	2,027
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	3,95,471	4,40,471	5,00,471	5,60,471
Inventories	35,331	44,344	52,019	57,958
Trade receivables	20,301	25,339	29,725	33,119
Cash & Bank Balance	35,764	67,885	98,300	1,48,062
Other Current Assets	39,824	39,824	39,824	39,824
Total Assets	7,31,889	8,44,151	9,58,496	10,87,304
Equity				
Equity Share Capital	1,510	1,510	1,510	1,510
Other Equity	5,39,350	5,96,340	6,77,666	7,78,479
Total Networth	5,40,860	5,97,850	6,79,176	7,79,989
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,819	4,319	4,819	5,319
Trade payables	97,610	1,45,701	1,70,918	1,90,433
Other current liabilities	91,627	98,308	1,05,609	1,13,589
Total Equity & Liabilities	7,31,889	8,44,151	9,58,496	10,87,304

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	45,823	99,507	1,40,917	1,66,225
Add. Depreciation	27,865	28,032	32,591	35,117
Add. Interest	1,259	1,385	1,523	1,676
Less Financial Other Income	17,935	21,451	22,443	22,520
Add. Other	(17,935)	(21,451)	(22,443)	(22,520)
Op. profit before WC changes	57,012	1,07,472	1,52,589	1,80,497
Net Changes-WC	(23,084)	38,064	17,535	14,947
Direct tax	(14,034)	(22,887)	(32,411)	(38,232)
Net cash from Op. activities	19,894	1,22,649	1,37,713	1,57,212
Capital expenditures	(29,864)	(46,465)	(41,538)	(41,615)
Interest / Dividend Income	-	-	-	-
Others	17,935	21,451	22,443	22,520
Net Cash from Invt. activities	(11,929)	(25,013)	(19,095)	(19,095)
Issue of share cap. / premium	7,649	-	-	-
Debt changes	(1,069)	500	500	500
Dividend paid	(18,120)	(19,630)	(27,180)	(27,180)
Interest paid	(1,259)	(1,385)	(1,523)	(1,676)
Others	-	-	-	-
Net cash from Fin. activities	(12,799)	(20,515)	(28,203)	(28,356)
Net change in cash	(4,834)	77,121	90,415	1,09,762
Free Cash Flow	(9,970)	76,184	96,176	1,15,598

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	2,67,400	2,64,998	2,99,308	2,90,443
YoY gr. (%)	11.3	49.1	45.7	24.9
Raw Material Expenses	1,96,667	1,97,702	2,18,801	2,11,058
Gross Profit	70,733	67,296	80,507	79,385
Margin (%)	26.5	25.4	26.9	27.3
EBITDA	24,268	19,121	27,689	28,331
YoY gr. (%)	21.9	132.9	223.9	81.7
Margin (%)	9.1	7.2	9.3	9.8
Depreciation / Depletion	6,472	6,514	7,226	7,101
EBIT	17,796	12,607	20,463	21,230
Margin (%)	6.7	4.8	6.8	7.3
Net Interest	560	274	305	296
Other Income	4,744	885	6,125	8,608
Profit before Tax	21,980	13,218	26,283	29,542
Margin (%)	8.2	5.0	8.8	10.2
Total Tax	3,591	3,090	5,668	6,029
Effective tax rate (%)	16.3	23.4	21.6	20.4
Profit after Tax	18,389	10,128	20,615	23,513
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	18,389	10,128	20,615	23,513
YoY gr. (%)	57.7	129.8	333.7	132.5
Margin (%)	6.9	3.8	6.9	8.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	18,389	10,128	20,615	23,513
YoY gr. (%)	57.7	129.8	333.7	132.5
Margin (%)	6.9	3.8	6.9	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	18,389	10,128	20,615	23,513
Avg. Shares O/s (m)	302	302	302	302
EPS (Rs)	60.9	33.5	68.3	77.9

Source: Company Data, PL Research

Key Financial Metrics

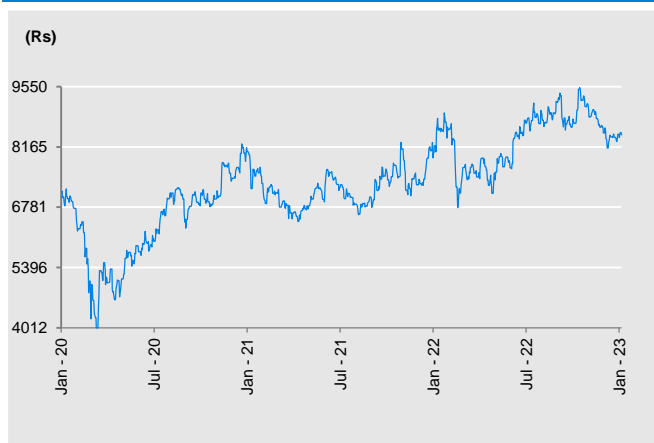
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	124.7	253.7	359.3	423.8
CEPS	217.0	346.5	467.2	540.1
BVPS	1,790.9	1,979.6	2,248.9	2,582.7
FCF	(33.0)	252.3	318.5	382.8
DPS	60.0	65.0	90.0	90.0
Return Ratio(%)				
RoCE	5.5	13.9	18.7	19.8
ROIC	23.9	94.0	208.5	428.6
RoE	7.1	13.5	17.0	17.5
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.8)	(0.9)	(0.9)
Net Working Capital (Days)	(38)	(42)	(41)	(40)
Valuation(x)				
PER	69.8	34.3	24.2	20.5
P/B	4.9	4.4	3.9	3.4
P/CEPS	40.1	25.1	18.6	16.1
EV/EBITDA	38.6	19.8	13.3	10.7
EV/Sales	2.5	1.8	1.5	1.3
Dividend Yield (%)	0.7	0.7	1.0	1.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Volume (units)	16,52,653	19,33,784	22,12,884	24,11,742
Net realisation (Rs/unit)	5,34,266	5,97,844	6,12,865	6,26,536

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-23	BUY	10,000	8,423
2	31-Oct-22	BUY	10,230	9,493
3	06-Oct-22	BUY	9,500	8,682
4	28-Jul-22	BUY	9,500	8,658
5	08-Jul-22	BUY	9,200	8,606
6	01-May-22	BUY	9,000	7,718
7	11-Apr-22	BUY	9,000	7,565
8	27-Jan-22	Accumulate	9,607	8,603

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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