

MARUTI SUZUKI INDIA LIMITED | Auto & Auto Components

Decent quarter, volumes as well as profitability to grow

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Q4 FY23 numbers of MSIL were strong on all fronts. Top-line grew by 20% yoy and 10.3% qoq. The base quarter of last year was impacted severely by the chip shortage, which has improved somewhat now. Volumes grew by 5.3% yoy, while realisations increased by 14.7% yoy on favourable product mix tilted towards SUVs, while sequentially volumes grew by 11% while realisations improved by 0.1%. Margins in the quarter jumped by 70 bps qoq and 140 bps yoy to 10.5% on lag effect of easing of input costs seen in Q3, higher SUV volumes, favourable foreign exchange variation and higher cost reduction efforts. Steel, aluminium, noble metals like rhodium, palladium etc witnessed gradual growth in their prices, while petroleum products, rubber etc saw some correction. There was a fall in discounts both yoy and qoq. Supply chain problem remained an issue during this quarter as well, as MSIL could not supply a big number of units. There was a noticeable rise in other income due to significantly low base of last year, which assisted bottomline growth at ₹26.3 bn, a growth of 43% yoy and 11.6% qoq.

Robust demand, new launches, new capacities - all to propel MSIL to next orbit

Vehicular demand in Q4 FY23 grew by 5.3% yoy. MSIL highlighted that Q4 FY23 demand was strongly driven by new launches (Brezza and Grand Vitara variants) done in Q2, new Alto launch and the CNG variants of Ertiga, Celerio and Wagon R. MSIL brought models of Alto K10, Baleno, S-Presso, XL6 & Grand Vitara under the S-CNG ambit during the quarter. Even the demand for strong hybrid variants of the new launches like the new Grand Vitara was ~35-40% of the total demand. On 24th April, MSIL launched the Sporty Compact SUV Fronx (in an altogether new shape), while the off-roader 5-door Jimny will be launched in May. The company also unveiled recently the Wagon-R Flex Fuel Vehicle, which is India's first mass segment Flex Fuel prototype car.

With monsoon expected to be within normal range (with little impact of El Nino), we believe rural markets (>40% of volumes for MSIL in Q4) to perform even better. Reviving economy as well should fuel demand for 4 wheelers whose penetration in India is just 3%. The only issue which has been persisting since a year now is the supply side issue which we believe to settle down in the short-mid term. The order book grew to 412K due to lack of specific model supply as it was restricted by chip shortage. We believe the current momentum in volumes to continue through FY 24 and percolate down to FY 25 on rising demand for new launches and alternate fuel technologies in which MSIL is getting aggressive. The company plans to launch their first EV in FY24-25.

Key Financials	FY 22	FY 23	FY 24E	FY 25E
Total Sales (₹ bn)	883.0	1,175.2	1,609.1	2,009.7
EBITDA margins(%)	6.8	9.8	10.1	10.6
PAT margins (%)	4.5	7.2	7.5	7.8
EPS (₹)	124.7	266.5	384.6	501.7
P/E (x)	68.2	31.9	22.1	16.9
P/BV (x)	4.7	4.3	3.7	3.1
EV/EBITDA (x)	45.0	23.3	16.3	12.4
ROE (%)	7.0	13.3	16.7	18.5
Dividend yield (%)	0.6	0.7	0.9	1.2

Rating	Buy
Current Market Price (₹)	8,485
12 M Price Target (₹)	10,034
Potential upside (%)	18

Stock Data

FV (₹) :	5
Total Market Cap (₹ bn) :	2,563
Free Float Market Cap (₹ bn) :	1,131
52-Week High / Low (₹) :	9,769 / 7,062
1 Yr Avg. Dly Traded Volume (in lakh)	6
BSE Code / NSE Symbol	532500 / MARUTI
Bloomberg :	MSIL IN

Shareholding Pattern

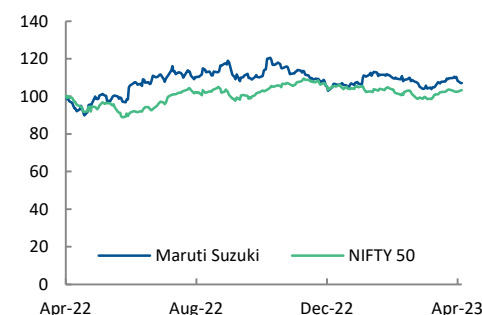
(%)	Mar-23	Dec-22	Sep-22	Jun-22
Promoter	56.48	56.37	56.37	56.37
FPIs	21.11	21.49	21.84	21.89
MFs	11.65	11.57	10.59	9.37
FI's/Insurance	5.47	5.26	6.27	8.45
Others	5.29	5.31	4.93	3.92

Source: BSE

Price Performance

(%)	1M	3M	6M	1YR
Maruti Suzuki	2.7%	-3.6%	-6.0%	7.1%
Nifty 50	4.9%	-0.7%	0.6%	3.3%

* To date / current date : April 26, 2023

Maruti Suzuki vs Nifty 50

Massive capacity expansion to accommodate increasing demand

MSIL has outlaid a plan for capacity expansion in the coming quarters anticipating robust demand and quick catering to the burgeoning order book. In line with this, they have already started expansion at their Manesar (Haryana) plant. The total capacity collectively at Haryana and Gujarat now stands at 22.5 lakh units, which is to be further increased by 1 lakh units at Haryana plant immediately and 2.5 lakh units at their upcoming plant in Karnataka (first phase in H1 CY25). The total capex is planned at ₹105 bn over the next couple of years. Out of this, ₹80 bn shall be done in FY 24 alone. Additionally, another massive expansion of 1 mn units shall take place through internal accruals in the coming years to accommodate anticipated robust demand.

Margins to expand on operating leverage benefits and product mix

MSIL reported a good margin performance at 10.5% in Q4 FY23 as discounts were down (₹13,269 v/s ₹18,291 qoq). Discounts were down as inventories were low (2-3 weeks) on non-availability of certain models due to chip shortage. Inflation in steel, noble metal prices etc will be seen somewhat hereon, while rubber, petroleum products etc should offset this hike upto some extent. Currency benefits were observed in the quarter due to Yen depreciation on a yoy basis, however it was slightly negative qoq. Also the indeginization was high during the quarter with direct import dependence now reduced to just 4% (direct + indirect 13-14%). Higher utilization rates with higher volumes should further impact margins positively as chip shortage issue gets resolved gradually. Continuation of better cost management was seen in Q4 and should further aid margins. Higher contribution of SUVs (<20% market share currently and contributing ~43% of the total volumes of MSIL) through new launches should enable better product mix as well. We expect 10.1%/10.6% margins in FY24E/25E respectively.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q4 FY23	Q3 FY23	% qoq	Q4 FY22	% yoy
Total income	3,20,480	2,90,443	10.3	2,67,400	19.9
Raw material costs	2,34,874	2,11,058	11.3	1,96,667	19.4
Employee costs	11,130	12,010	(7.3)	10,258	8.5
Other expenses	40,973	39,044	4.9	36,207	13.2
EBITDA	33,503	28,331	18.3	24,268	38.1
EBITDA margins (%)	10.5%	9.8%	70 bps	9.1%	140 bps
Depreciation & Amortization	7,392	7,101	4.1	6,472	14.2
Interest expenses	991	296	234.8	106	837.6
Other income	7,428	8,608	(13.7)	4,744	56.6
PBT	32,548	29,542	10.2	21,980	48.1
Tax	6,312	6,029	4.7	3,591	75.8
Adjusted PAT	26,236	23,513	11.6	18,389	42.7
Exceptional items	-	-	NA	-	NA
Reported PAT	26,236	23,513	11.6	18,389	42.7

Source: Company, LKP Research

Outlook and Valuation

MSIL reported a strong margin performance in the quarter (consecutive fourth quarter of growth) on better product mix, lower discounts and higher ASPs. The demand is going quite strong driven by personal mobility theme, first time buyers, new variant launches and hybrid & CNG variants. Going forward, with supply issues getting resolved sooner or later, we believe that the strong order book, newer SUV launches (“eVX”, Jimny and Fraunx), digitization of sales, expanding dealer network (now 3,500 sales outlets across India), higher capacity utilization rates, favourable currency movement and product mix should trigger a superior volume and margin profile in the ensuing years. An aggressive EV + Hybrid plan + Flex Fuel strategy of the management led by new long term 1 mn capacity in addition to ₹105 bn capex at Gujarat and new capacity outlay of 250K vehicles in FY 25 at Karnataka entails a big bang volume growth. With ability to combat competition coming from EV shift and better growth in rural markets which were severely impacted by Covid Wave #2, company is poised for a healthy growth hereon. With multiple positive drivers in place, we remain sanguine on the stock with FY 25E target of ₹10,034. Maintain BUY.

Other Con Call highlights

- CNG products contributed 1/3 rd of the total order book of 412K by the end of Q4 and FY 23.
- Auto Expo expenses which took place in Q4 stood at ₹400 mn.
- MSIL models are the lowest on CO2 emission levels pan India.
- Precious metals are 5% of the total RM basket
- Rural markets are going strong as compared to urban.
- First time buyers stood at 42%, replacement buyers at 21% (up from 19% qoq) and additional car buyers stood at 37% of total vehicles sold in Q4.
- SUVs were 43% of total volumes in the quarter.
- ₹60 bn were spent on capex in FY 23, while it will add another ₹80 bn in FY 24 mainly for the Karnataka Greenfield.
- Export revenues were at ₹39 bn in Q4, while ₹146.5 bn in FY 23.
- Gujarat production stood at 1,86,786 units in Q4, while it was at 6,71,692 units in FY 23.
- 330K units of CNG models were sold in FY 23
- Channel inventory was as low as 2-3 weeks in Q4, while discounting was at ₹13,269 per vehicle, lower both qoq and yoy.

Per unit parameters	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23
Net Realisation/unit	4,75,044	6,02,806	5,15,190	5,21,940	5,40,385	5,51,677	5,97,736	5,98,566
Material Cost/unit	3,75,837	4,86,579	4,06,441	4,02,322	4,22,502	4,22,890	4,53,001	4,56,131
Employee cost per unit	30,097	30,056	22,521	20,985	24,756	21,892	25,777	21,615
EBITDA/unit	23,220	26,705	36,176	49,645	40,863	53,516	60,808	65,064
PAT/unit	12,465	14,847	23,459	37,618	21,644	39,844	50,467	50,951

Source: Company, LKP Research

Income Statement

(₹ mn)	FY 22	FY 23	FY 24E	FY 25E
Total Revenues	8,82,956	11,75,229	16,09,090	20,09,696
Raw Material Cost	6,60,373	8,62,435	11,82,628	14,71,886
Employee Cost	40,222	46,051	59,131	74,278
Other Exp	1,26,794	1,58,039	2,11,628	2,58,020
EBITDA	57,012	1,10,077	1,57,302	2,07,512
<i>EBITDA Margin(%)</i>	6.8	9.8	10.1	10.6
Other Income	17,935	21,613	23,000	25,000
Depreciation	27,865	28,233	33,024	40,825
EBIT	47,082	1,03,457	1,47,278	1,91,686
<i>EBIT Margin(%)</i>	5.6	9.2	9.5	9.8
Interest	1259	1866	2100	2300
PBT	45,823	1,01,591	1,45,178	1,89,386
<i>PBT Margin(%)</i>	5.5	9.0	9.3	9.7
Tax	8,160	21,099	29,036	37,877
PAT	37,663	80,492	1,16,143	1,51,509
<i>PAT Margins (%)</i>	4.5	7.2	7.5	7.8
Minority interest	0	0	0	0
Exceptional items	0	0	0	0
Adj PAT	37,663	80,492	1,16,143	1,51,509
<i>Adj PAT Margins (%)</i>	4.5	7.2	7.5	7.8

Key Ratios

YE Mar	FY 22	FY 23	FY 24E	FY 25E
Per Share Data (₹)				
Adj. EPS	124.7	266.5	384.6	501.7
CEPS	217.0	360.0	493.9	636.9
BVPS	1790.9	1999.4	2307.1	2708.4
DPS	47.0	62.7	80.4	104.9
Growth Ratios(%)				
Total revenues	25.9	34.3	38.3	25.6
EBITDA	6.7	93.1	42.9	31.9
PAT	-11.0	113.7	44.3	30.5
EPS Growth	-11.0	113.7	44.3	30.5
Valuation Ratios (X)				
PE	68.2	31.9	22.1	16.9
P/CEPS	39.2	23.6	17.2	13.4
P/BV	4.7	4.3	3.7	3.1
EV/EBITDA	45.0	23.3	16.3	12.4
Operating Ratios (Days)				
Inventory days	17.0	17.0	18.0	18.0
Receivable Days	8.0	8.0	8.0	9.0
Payables day	2.4	2.4	2.4	2.5
Net Debt/Equity (x)	0.01	0.02	0.02	0.02
Profitability Ratios (%)				
ROCE	2.0	9.5	14.0	16.8
ROE	7.0	13.3	16.7	18.5
Dividend payout	37.7	23.5	20.9	20.9
Dividend yield	0.6	0.7	0.9	1.2

Balance Sheet

(₹ mn)	FY 22	FY 23	FY 24E	FY 25E
Equity and Liabilities				
Equity Share Capital	1,510	1,510	1,510	1,510
Reserves & Surplus	5,39,350	6,02,310	6,95,224	8,16,431
Total Networth	5,40,860	6,03,820	6,96,734	8,17,941
Total debt	0	0	0	0
Net Deferred Tax	0	0	0	0
Other long term liabilities	21,811	25,849	25,849	25,849
Long term provisions	1,135	1,125	1,125	1,125
Current Liab & Prov				
Short term borrowings	3,819	12,158	13,658	15,658
Other current liabilities	60,095	61,407	61,407	61,407
Trade payables	97,610	1,17,804	1,70,530	2,19,569
Total provisions	8,613	9,624	9,624	9,624
Total current Liabilities	1,70,137	2,00,993	2,55,219	3,06,258
Total Equity & Liabilities	7,33,943	8,31,787	9,78,927	11,51,173
Assets				
Net block	1,27,995	1,66,666	1,93,642	2,22,817
Capital WIP	26,391	28,081	30,081	34,081
Intangible Assets	6,402	6,368	6,368	6,368
Non current Investments	3,66,632	4,77,564	5,57,564	6,54,564
Other non current assets	370	580	580	580
Total fixed assets				
Current investments	41,001	0	0	0
Cash and Bank	320	334	1,574	2,062
Bank balance other than cash	30,042	43	43	43
Inventories	35,331	42,838	61,561	84,684
Trade receivables	20,301	32,958	51,159	69,619
Loan, Advances & others	305	297	297	297
Other current assets	40,512	39,529	39,529	39,529
Total current Assets	1,67,812	1,15,999	1,54,163	1,96,234
Total Assets	7,33,943	8,31,787	9,78,927	11,51,173

Cash Flow

(₹ mn)	FY21	FY22	FY23E	FY24E
PBT	45,823	1,01,591	1,45,178	1,89,386
Depreciation	27,865	28,233	33,024	40,825
Interest	1,259	1,866	2,100	2,300
Tax paid	-11,769	-22,313	-29,036	-37,877
Other operating activities	-17,168	-20,884	0	0
Cash flow from operations (a)	17,912	92,280	1,67,068	2,02,090
Capital expenditure	-32,057	-61,154	-62,000	-74,000
Chng in investments	30,533	-19,914	-80,000	-97,000
Other investing activities	-366	886	0	0
(Inc)/dec in Intangible assets	1,360	987	0	0
(Inc)/dec in Other non current assets	-2,245	-369	0	0
Cash flow from investing (b)	-1,890	-80,182	-1,42,000	-1,71,000
Free cash flow (a+b)	16,022	12,098	25,068	31,090
Equity raised/(repaid)	0	0	0	0
Inc/dec in borrowings	-1,140	7,895	1,500	2,000
Dividend paid (incl. tax)	-13,594	-18,125	-23,229	-30,302
Other financing activities	-1,291	-1,854	-2,100	-2,300
Cash flow from financing (c)	-16,025	-12,084	-23,829	-30,602
Net chng in cash (a+b+c)	-3	14	1,240	488
Closing cash & cash equivalents	320	334	1,574	2,062

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