

April 26, 2023

## Q4FY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	10,300		10,600	
Sales (Rs. m)	13,53,797	14,99,772	13,96,798	15,50,983
% Chng.	(3.1)	(3.3)		
EBITDA (Rs. m)	1,44,610	1,73,429	1,50,214	1,79,592
% Chng.	(3.7)	(3.4)		
EPS (Rs.)	343.3	412.0	354.9	424.0
% Chng.	(3.3)	(2.8)		

### Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. bn)	883	1,175	1,354	1,500
EBITDA (Rs. bn)	57	110	145	173
Margin (%)	6.5	9.4	10.7	11.6
PAT (Rs. bn)	38	80	104	124
EPS (Rs.)	124.7	266.5	343.3	412.0
Gr. (%)	(10.9)	113.7	28.8	20.0
DPS (Rs.)	60.0	90.0	105.0	120.0
Yield (%)	0.7	1.1	1.2	1.4
RoE (%)	7.1	14.1	16.2	17.3
RoCE (%)	5.5	14.1	17.3	19.0
EV/Sales (x)	2.4	1.8	1.5	1.3
EV/EBITDA (x)	37.7	19.2	13.8	11.0
PE (x)	68.2	31.9	24.8	20.6
P/BV (x)	4.7	4.3	3.8	3.4

### Key Data

MRTI.BO | MSIL IN

52-W High / Low	Rs.9,769 / Rs.7,062
Sensex / Nifty	60,301 / 17,814
Market Cap	Rs.2,570bn / \$ 31,427m
Shares Outstanding	302m
3M Avg. Daily Value	Rs.3732.02m

### Shareholding Pattern (%)

Promoter's	56.48
Foreign	21.11
Domestic Institution	18.70
Public & Others	3.71
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.2	(5.5)	7.6
Relative	(1.5)	(6.7)	2.3

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## Well placed to outgrow the industry

### Quick Pointers:

- Current order book stands at ~412k units (vs 363k units in 3QFY23).
- PV industry to grow by 5-7%; entry segment to remain flattish.

**We cut our FY24/25 EPS estimates by c3% each, to factor in flattish volume guidance for entry segment cars. Maruti Suzuki (MSIL)'s 4QFY23 revenues were marginally lower than our estimates, while margins were largely in-line and expanded by c70bp QoQ. Chip shortage continued to impact 4Q and led to sales of lower variants, thereby, impacting realisation. Going ahead, MSIL hopes to outgrow PV industry's growth led by its SUV portfolio, increased traction from CNG models and servicing stronger orderbook. Further, company's declining market share has likely stabilised in 4QFY23 and we expect improvement in FY24E with likely increase in volume contribution from UVs & MUVs (we build in ~27% mix in FY24 vs ~21% in FY23).**

**We remain positive on MSIL's growth prospects given (1) market share gains and ASP increase coming from filling white spaces in UV portfolio, (2) c220bps 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 TP of Rs 10,300 (Rs 10,600 earlier) at 26x Mar-25E EPS.**

- Slight miss on revenue led by semi-conductor constrained sales QoQ:** MSIL's revenue grew c10% QoQ at Rs 320bn in-line with volume growth, as realization remained flattish QoQ and was slightly below PL estimates (PLe).
- Higher operating leverage more than offset increase in RM cost:** EBITDA margins improved to 10.5% (+70bps QoQ) came largely in-line with PLe, as pressure on GM was offset by benefits from operating leverage; additionally, operating expenses included one-time expo related costs. PAT around Rs 26bn showed a c11.6% QoQ growth. MSIL noted potential negative impact from forex, increase in commodity basket and chip shortage in the short-term.
- Key takeaway: (1)** MSIL noted flattish volumes for entry level segments in FY24, but hopes to grow well beyond SIAM forecast of 5-7% of PV industry in FY24, largely led by SUV (industry SUV mix was 43% in FY23). **(2)** Company has an order book of 412k units now (vs 363k unit in 3QFY23), with CNG models accounting almost 1/3<sup>rd</sup>. MSIL noted increased traction in the CNG space (had 20% penetration in FY23) after recent reduction in fuel prices. **(3)** In 4QFY23, company saw loss of production of 38k units (~46k in 3Q & 170k in FY23) due to chip shortage; 1QFY24 will likely get impacted more before the situation improves in FY24. This also led to inferior mix for MSIL in 4QFY23 and impacted realization. **(4)** In FY23, first time buyers were at 42%; replacement at 21% (vs 19% in FY22) and additional car buyers were at 37%. **(4)** MSIL Board has given an in-principle approval for 1mn units additional capacity apart from Kharkhoda plant and management expects capex of Rs. 80bn in FY24 largely for Kharkhoda. **(5)** Company has a below normal channel inventory of 2-3 weeks.

**Exhibit 1: Q4FY23 Result Overview (Rs mn)**

Y/e March	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
<b>Net Revenues</b>	<b>3,20,480</b>	<b>2,67,400</b>	<b>19.9</b>	<b>2,90,443</b>	<b>10.3</b>	<b>11,75,229</b>	<b>8,82,956</b>	<b>33.1</b>
Raw Materials	2,34,874	1,96,667	19.4	2,11,058	11.3	8,61,062	6,58,928	30.7
<i>% of Net Sales</i>	<i>73.3</i>	<i>73.5</i>		<i>72.7</i>		<i>73.3</i>	<i>74.6</i>	
Personnel	11,130	10,258	8.5	12,010	(7.3)	46,051	40,222	14.5
<i>% of Net Sales</i>	<i>3.5</i>	<i>3.8</i>		<i>4.1</i>		<i>3.9</i>	<i>4.6</i>	
Manufacturing & Other Exp	40,973	36,207	13.2	39,044	4.9	1,58,039	1,26,794	24.6
<i>% of Net Sales</i>	<i>12.8</i>	<i>13.5</i>		<i>13.4</i>		<i>13.4</i>	<i>14.4</i>	
Total Expenditure	2,86,977	2,43,132	18.0	2,62,112	9.5	10,65,152	8,25,944	29.0
<b>EBITDA</b>	<b>33,503</b>	<b>24,268</b>	<b>38.1</b>	<b>28,331</b>	<b>18.3</b>	<b>1,10,077</b>	<b>57,012</b>	<b>93.1</b>
<i>EBITDA Margin (%)</i>	<i>10.5</i>	<i>9.1</i>		<i>9.8</i>		<i>9.4</i>	<i>6.5</i>	
Depreciation	7,392	6,472	14.2	7,101	4.1	28,233	27,865	1.3
<b>EBIT</b>	<b>26,111</b>	<b>17,796</b>	<b>46.7</b>	<b>21,230</b>	<b>23.0</b>	<b>81,844</b>	<b>29,147</b>	<b>180.8</b>
Interest Expenses	991	560	77.0	296	234.8	1,866	1,259	48.2
Non-operating income	7,428	4,744	56.6	8,608	(13.7)	21,613	17,935	20.5
<b>PBT</b>	<b>32,548</b>	<b>21,980</b>	<b>48.1</b>	<b>29,542</b>	<b>10.2</b>	<b>1,01,591</b>	<b>45,823</b>	<b>121.7</b>
Tax-Total	6,312	3,591	75.8	6,029	4.7	21,099	8,160	158.6
<i>Tax Rate (%) - Total</i>	<i>19.4</i>	<i>16.3</i>		<i>20.4</i>		<i>20.8</i>	<i>17.8</i>	
<b>Reported PAT</b>	<b>26,236</b>	<b>18,389</b>	<b>42.7</b>	<b>23,513</b>	<b>11.6</b>	<b>80,492</b>	<b>37,663</b>	<b>113.7</b>
<b>Adj. PAT</b>	<b>26,236</b>	<b>18,389</b>	<b>42.7</b>	<b>23,513</b>	<b>11.6</b>	<b>80,492</b>	<b>37,663</b>	<b>113.7</b>
<i>PAT Margin (%)</i>	<i>8.2</i>	<i>6.9</i>		<i>8.1</i>		<i>6.8</i>	<i>4.3</i>	

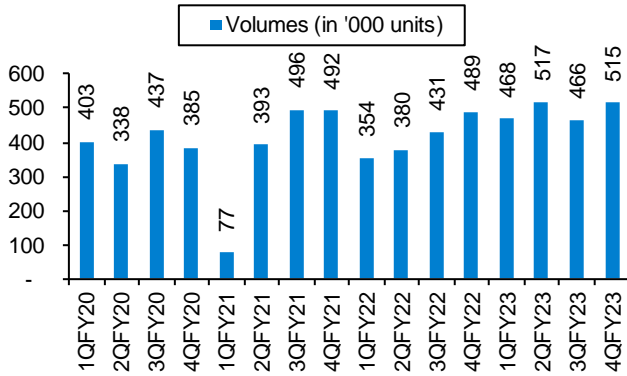
Source: Company, PL

**Exhibit 2: Operating Metrics – Chip shortage impacting realization QoQ**

Y/e March	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
<b>Volume (nos)</b>	<b>5,14,927</b>	<b>4,88,830</b>	<b>5.3</b>	<b>4,65,911</b>	<b>10.5</b>	<b>19,66,164</b>	<b>16,52,653</b>	<b>19.0</b>
Net Realisation/Vehicle	6,22,379	5,47,020	13.8	6,23,387	(0.2)	5,97,727	5,34,266	11.9
Material cost/vehicle	4,56,131	4,02,322	13.4	4,53,001	0.7	4,37,940	3,98,709	9.8
Gross Profit / vehicle	1,66,249	1,44,699	14.9	1,70,387	(2.4)	1,59,787	1,35,557	17.9
Employee cost /vehicle	21,615	20,985	3.0	25,777	(16.1)	23,422	24,338	(3.8)
Other expenses / vehicle	79,571	74,069	7.4	83,801	(5.0)	80,379	76,721	4.8
EBITDA/vehicle	65,064	49,645	31.1	60,808	7.0	55,986	34,497	62.3
Net Profit/vehicle	50,951	37,618	35.4	50,467	1.0	40,939	22,789	79.6

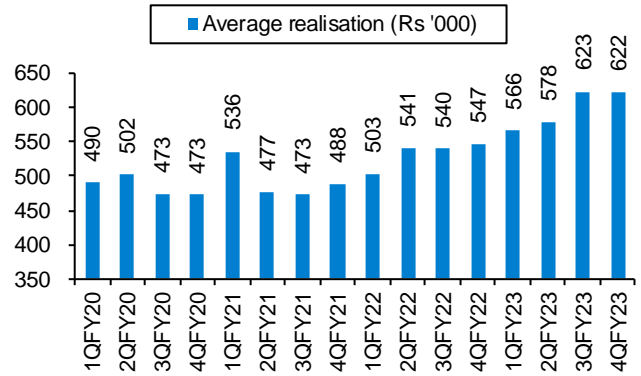
Source: Company, PL

**Exhibit 3: Volumes for the quarter declined c10% QoQ**



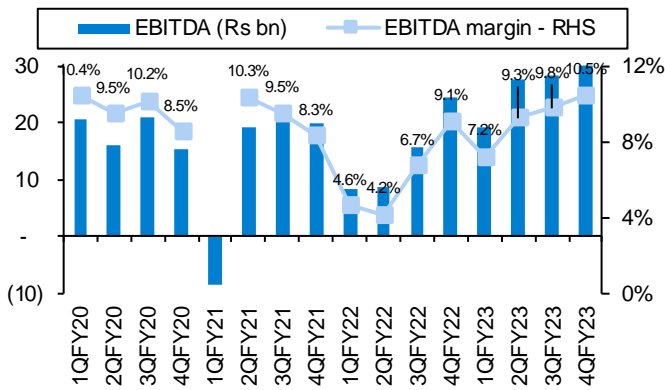
Source: Company, PL

**Exhibit 4: ASPs remained flattish QoQ**



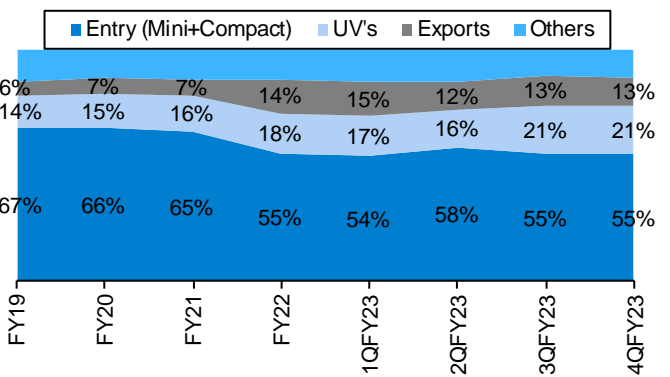
Source: Company, PL

**Exhibit 5: Margin expansion led by operating leverage**



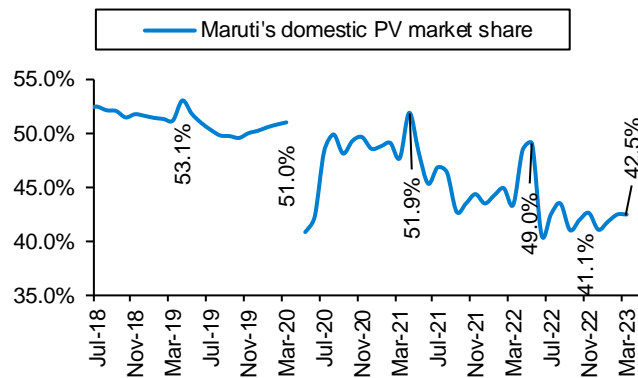
Source: Company, PL

**Exhibit 6: Segment mix largely flattish**



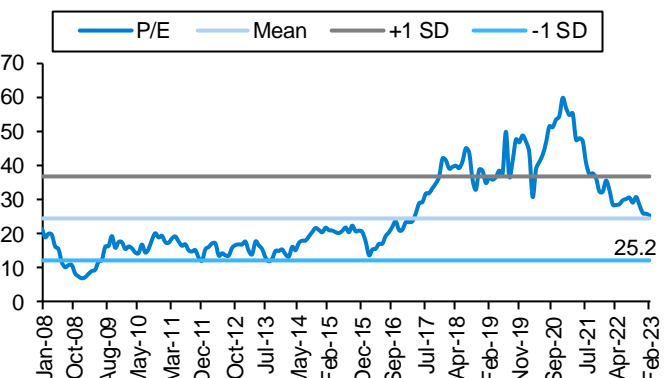
Source: Company, PL

**Exhibit 7: Maruti share has likely bottomed out in Q4FY23**



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	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>8,82,956</b>	<b>11,75,229</b>	<b>13,53,797</b>	<b>14,99,772</b>
YoY gr. (%)	25.5	33.1	15.2	10.8
Cost of Goods Sold	6,58,928	8,61,062	9,83,772	10,82,349
Gross Profit	2,24,028	3,14,167	3,70,025	4,17,423
Margin (%)	25.4	26.7	27.3	27.8
Employee Cost	40,222	46,051	50,099	54,281
Other Expenses	1,26,794	1,58,039	1,75,317	1,89,712
<b>EBITDA</b>	<b>57,012</b>	<b>1,10,077</b>	<b>1,44,610</b>	<b>1,73,429</b>
YoY gr. (%)	6.7	93.1	31.4	19.9
Margin (%)	6.5	9.4	10.7	11.6
Depreciation and Amortization	27,865	28,233	31,722	34,168
<b>EBIT</b>	<b>29,147</b>	<b>81,844</b>	<b>1,12,887</b>	<b>1,39,261</b>
Margin (%)	3.3	7.0	8.3	9.3
Net Interest	1,259	1,866	1,997	2,136
Other Income	17,935	21,613	23,761	24,465
<b>Profit Before Tax</b>	<b>45,823</b>	<b>1,01,591</b>	<b>1,34,652</b>	<b>1,61,590</b>
Margin (%)	5.2	8.6	9.9	10.8
Total Tax	8,160	21,099	30,970	37,166
Effective tax rate (%)	17.8	20.8	23.0	23.0
<b>Profit after tax</b>	<b>37,663</b>	<b>80,492</b>	<b>1,03,682</b>	<b>1,24,424</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>37,663</b>	<b>80,492</b>	<b>1,03,682</b>	<b>1,24,424</b>
YoY gr. (%)	-	-	-	-
Margin (%)	4.3	6.8	7.7	8.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>37,663</b>	<b>80,492</b>	<b>1,03,682</b>	<b>1,24,424</b>
YoY gr. (%)	(10.9)	113.7	28.8	20.0
Margin (%)	4.3	6.8	7.7	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
<b>Equity Shares O/s (m)</b>	<b>302</b>	<b>302</b>	<b>302</b>	<b>302</b>
<b>EPS (Rs)</b>	<b>124.7</b>	<b>266.5</b>	<b>343.3</b>	<b>412.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,69,553</b>	<b>4,14,553</b>	<b>4,54,553</b>	<b>4,94,553</b>
Tangibles	3,69,553	4,14,553	4,54,553	4,94,553
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>2,32,380</b>	<b>2,36,504</b>	<b>2,68,226</b>	<b>3,02,394</b>
Tangibles	2,32,380	2,36,504	2,68,226	3,02,394
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>1,37,173</b>	<b>1,78,049</b>	<b>1,86,327</b>	<b>1,92,159</b>
Tangibles	1,37,173	1,78,049	1,86,327	1,92,159
Intangibles	-	-	-	-
Capital Work In Progress	29,294	28,970	30,419	31,939
Goodwill	-	-	-	-
Non-Current Investments	12,162	12,162	12,162	12,162
Net Deferred tax assets	2,027	3,411	3,411	3,411
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	3,95,471	4,65,402	5,25,402	5,85,402
Inventories	35,331	42,838	51,926	57,525
Trade receivables	20,301	32,958	29,672	32,872
Cash & Bank Balance	30,362	377	54,676	90,550
Other Current Assets	45,253	44,882	44,882	44,882
<b>Total Assets</b>	<b>7,31,916</b>	<b>8,28,376</b>	<b>9,60,478</b>	<b>10,75,005</b>
<b>Equity</b>				
Equity Share Capital	1,510	1,510	1,510	1,510
Other Equity	5,39,350	6,02,310	6,74,282	7,62,466
<b>Total Networkth</b>	<b>5,40,860</b>	<b>6,03,820</b>	<b>6,75,792</b>	<b>7,63,976</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	3,819	12,158	12,658	13,158
Trade payables	97,610	1,17,804	1,70,616	1,89,012
Other current liabilities	91,654	98,005	1,04,823	1,12,269
<b>Total Equity &amp; Liabilities</b>	<b>7,31,916</b>	<b>8,28,376</b>	<b>9,60,478</b>	<b>10,75,005</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	45,823	1,01,591	1,34,652	1,61,590
Add. Depreciation	27,865	28,233	31,722	34,168
Add. Interest	1,259	1,866	1,997	2,136
Less Financial Other Income	17,935	21,613	23,761	24,465
Add. Other	(17,935)	(21,613)	(23,761)	(24,465)
Op. profit before WC changes	57,012	1,10,077	1,44,610	1,73,429
Net Changes-WC	(28,486)	10,583	51,553	14,543
Direct tax	(14,034)	(22,483)	(30,970)	(37,166)
<b>Net cash from Op. activities</b>	<b>14,492</b>	<b>98,177</b>	<b>1,65,193</b>	<b>1,50,807</b>
Capital expenditures	(29,864)	(68,785)	(41,449)	(41,521)
Interest / Dividend Income	-	-	-	-
Others	17,935	21,613	23,761	24,465
<b>Net Cash from Inv. activities</b>	<b>(11,929)</b>	<b>(47,172)</b>	<b>(17,687)</b>	<b>(17,056)</b>
Issue of share cap. / premium	7,654	9,655	-	-
Debt changes	(1,069)	8,339	500	500
Dividend paid	(18,125)	(27,187)	(31,710)	(36,240)
Interest paid	(1,259)	(1,866)	(1,997)	(2,136)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(12,799)</b>	<b>(11,059)</b>	<b>(33,207)</b>	<b>(37,876)</b>
<b>Net change in cash</b>	<b>(10,236)</b>	<b>39,946</b>	<b>1,14,299</b>	<b>95,874</b>
Free Cash Flow	(15,372)	29,392	1,23,745	1,09,286

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Net Revenue</b>	<b>2,64,998</b>	<b>2,99,308</b>	<b>2,90,443</b>	<b>3,20,480</b>
YoY gr. (%)	49.1	45.7	24.9	19.9
Raw Material Expenses	1,97,702	2,18,801	2,11,058	2,34,874
Gross Profit	67,296	80,507	79,385	85,606
Margin (%)	25.4	26.9	27.3	26.7
<b>EBITDA</b>	<b>19,121</b>	<b>27,689</b>	<b>28,331</b>	<b>33,503</b>
YoY gr. (%)	132.9	223.9	81.7	38.1
Margin (%)	7.2	9.3	9.8	10.5
Depreciation / Depletion	6,514	7,226	7,101	7,392
<b>EBIT</b>	<b>12,607</b>	<b>20,463</b>	<b>21,230</b>	<b>26,111</b>
Margin (%)	4.8	6.8	7.3	8.1
Net Interest	274	305	296	991
Other Income	885	6,125	8,608	7,428
<b>Profit before Tax</b>	<b>13,218</b>	<b>26,283</b>	<b>29,542</b>	<b>32,549</b>
Margin (%)	5.0	8.8	10.2	10.2
Total Tax	3,090	5,668	6,029	6,312
Effective tax rate (%)	23.4	21.6	20.4	19.4
<b>Profit after Tax</b>	<b>10,128</b>	<b>20,615</b>	<b>23,513</b>	<b>26,237</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>10,128</b>	<b>20,615</b>	<b>23,513</b>	<b>26,236</b>
YoY gr. (%)	129.8	333.7	132.5	42.7
Margin (%)	3.8	6.9	8.1	8.2
Extra Ord. Income / (Exp)	-	-	-	1
<b>Reported PAT</b>	<b>10,128</b>	<b>20,615</b>	<b>23,513</b>	<b>26,237</b>
YoY gr. (%)	129.8	333.7	132.5	42.7
Margin (%)	3.8	6.9	8.1	8.2
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>10,128</b>	<b>20,615</b>	<b>23,513</b>	<b>26,237</b>
Avg. Shares O/s (m)	302	302	302	302
<b>EPS (Rs)</b>	<b>33.5</b>	<b>68.3</b>	<b>77.9</b>	<b>86.9</b>

Source: Company Data, PL Research

**Key Financial Metrics**

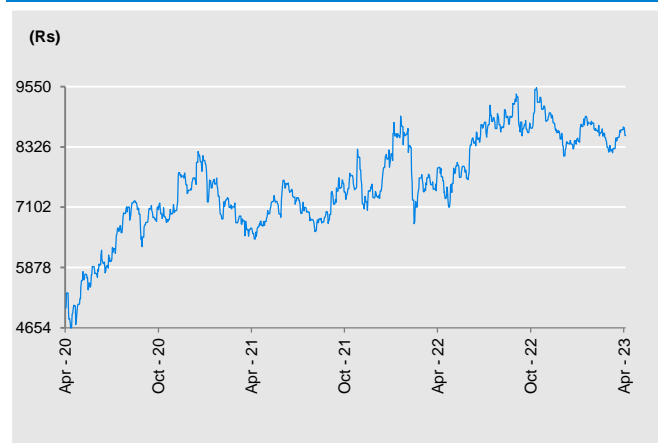
Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	124.7	266.5	343.3	412.0
CEPS	217.0	360.0	448.4	525.1
BVPS	1,790.9	1,999.4	2,237.7	2,529.7
FCF	(50.9)	97.3	409.8	361.9
DPS	60.0	90.0	105.0	120.0
<b>Return Ratio(%)</b>				
RoCE	5.5	14.1	17.3	19.0
ROIC	22.6	56.6	120.5	188.7
RoE	7.1	14.1	16.2	17.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.8)	(0.8)	(0.8)	(0.9)
Net Working Capital (Days)	(38)	(29)	(39)	(39)
<b>Valuation(x)</b>				
PER	68.2	31.9	24.8	20.6
P/B	4.7	4.3	3.8	3.4
P/CEPS	39.2	23.6	19.0	16.2
EV/EBITDA	37.7	19.2	13.8	11.0
EV/Sales	2.4	1.8	1.5	1.3
Dividend Yield (%)	0.7	1.1	1.2	1.4

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY22	FY23	FY24E	FY25E
Volume (units)	16,52,653	19,66,164	21,74,861	23,54,747
Net realisation (Rs/unit)	5,34,266	5,97,727	6,22,475	6,36,914

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	10,600	8,660
2	25-Jan-23	BUY	10,600	8,699
3	05-Jan-23	BUY	10,000	8,423
4	31-Oct-22	BUY	10,230	9,493
5	06-Oct-22	BUY	9,500	8,682
6	28-Jul-22	BUY	9,500	8,658
7	08-Jul-22	BUY	9,200	8,606
8	01-May-22	BUY	9,000	7,718

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	138
2	Bajaj Auto	Hold	4,130	4,342
3	Bharat Forge	BUY	960	764
4	CEAT	Accumulate	1,635	1,432
5	Eicher Motors	BUY	4,050	3,054
6	Endurance Technologies	BUY	1,570	1,254
7	Exide Industries	UR	-	185
8	Hero Motocorp	BUY	3,200	2,470
9	Mahindra & Mahindra	BUY	1,560	1,202
10	Maruti Suzuki	BUY	10,600	8,660
11	Tata Motors	BUY	590	459
12	TVS Motors	BUY	1,300	1,129

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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