

Maruti Suzuki India Ltd.



Maruti Suzuki India Ltd.

Sequential margin improvement continued

CMP INR 8,590	Target INR 10,617	Potential Upside 23.6%	Market Cap (INR Mn) INR 25,99,701	Recommendation BUY	Sector Automobile
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Result highlights

- In Q4FY23, MSIL reported revenue from operations of INR INR 3,20,596 mn (+19.9% YoY/ 10.3% QoQ). The growth was a result of underlying volumes growing by 5.3% YoY/ 10.5% QoQ and ASP growing by 14.7% YoY while being flat QoQ. For FY23, revenue was INR 11,75,713 mn, a growth of 33.1% YoY. Volumes grew by 19.0% YoY while ASP grew by 12.9% YoY.
- EBITDA for the quarter was INR 33,516 mn (+38.0% YoY/ +18.1% QoQ). EBITDA margin improved by 137 bps YoY/ 69 bps QoQ to 10.5% due to operating leverage, better realizations, cost reduction, and favourable FX, partially set off by higher sales and ad expense. For FY23, EBITDA increased by 93.1% YoY to INR 1,10,177 mn while EBITDA margin expanded by 291 bps YoY.
- Net Profit was at INR 26,708 mn (+42.4% YoY/ +11.7% QoQ). The Net Profit margin for the quarter expanded by 132 bps YoY/ 10 bps QoQ. For FY23, Net Profit grew by 111.7% YoY to INR 82,110 mn while Net Profit Margin expanded by 259 bps YoY to 7.0%.

MARKET DATA

Shares outs (Mn)	302
Mkt Cap (INR Mn)	25,90,701
52 Wk H/L (INR)	9,769/ 7,062
Volume Avg (3m K)	414
Face Value (INR)	5
Bloomberg Code	MSIL : IN

KEY FINANCIALS

Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue from operation	7,03,720	8,83,298	11,75,713	13,88,248	15,74,851
EBITDA	52,937	57,062	1,10,177	1,45,107	1,75,681
PAT	43,891	38,795	82,110	1,09,272	1,30,333
EPS	145.3	128.5	271.9	361.8	431.6
EBITDA Margin	7.5%	6.5%	9.4%	10.5%	11.2%
NPM	6.2%	4.4%	7.0%	7.9%	8.3%

Source: Company, KRChoksey Research

Sequential improvement in revenue led by volumes, highest-ever annual volumes in FY23:

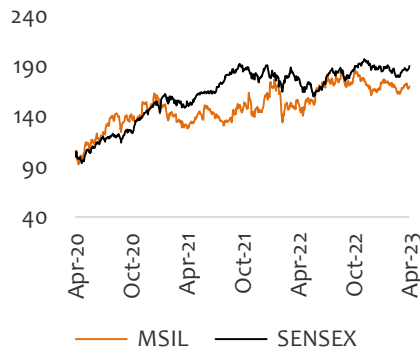
In Q4FY23, MSIL reported revenue from operations of INR INR 3,20,596 mn (+19.9% YoY/ 10.3% QoQ). The growth was a result of underlying volumes growing by 5.3% YoY/ 10.5% QoQ and ASP growing by 14.7% YoY while being flat QoQ. For FY23, revenue was INR 11,75,713 mn, a growth of 33.1% YoY. Volumes grew by 19.0% YoY while ASP grew by 12.9% YoY. The annual volume growth was reported despite 170,000 fewer units being produced due to a shortage of Electronic Component Units (ECU). Rural continued to be strong for MSIL.

Sequential EBITDA margin improvement continues:

EBITDA for the quarter was INR 33,516 mn (+38.0% YoY/ +18.1% QoQ). EBITDA margin improved by 137 bps YoY/ 69 bps QoQ to 10.5% due to operating leverage, better realizations, cost reduction, and favourable FX, partially set off by higher sales and ad expense. Gross margin improved by 26 bps YoY but contracted by 63 bps QoQ. The share of vehicles from Suzuki Motor Gujarat (SMG) and Toyota increased in Q4FY23, which led to higher RM costs. Apart from this, RM prices remained stable in Q4FY23. USDJPY has come down from ~140 levels in Q2FY23 to now ~132-134 levels, so there could be some impact from FX but not significant. For FY23, EBITDA increased by 93.1% YoY to INR 1,10,177 mn while EBITDA margin expanded by 291 bps YoY due to improved volumes, realizations and FX.

Outlook: As per the industry body SIAM, PV industry volumes should see a growth of 5.0% to 7.0% in FY24E. MSIL expects to beat the industry growth rate. MSIL expects entry-level car sales to be flat YoY in FY24E. ECU shortage is a global problem, but it affects different models and manufacturers differently. Efforts are ongoing but MSIL is still vulnerable to supply bottlenecks and Q1FY24E is expected to be tougher than other quarters. ASPs should go up as MSIL continues to focus on larger and newer models. Commodities are a mixed bag as precious metals have corrected while the biggest contributing commodity of steel is seeing some increase in prices due to pick up in demand.

SHARE PRICE PERFORMANCE

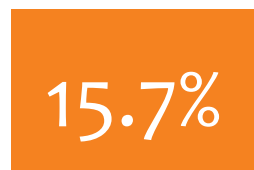


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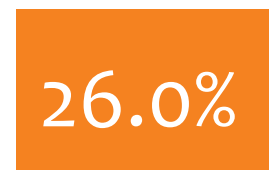
SENSEX	61,112
NIFTY	18,065

SHARE HOLDING PATTERN (%)

Particulars	Mar-23	Dec-22	Sep-22
Promoters	56.5	56.4	56.4
FIIs	21.1	21.5	21.9
DIIIs	18.7	18.3	18.2
Others	3.7	3.8	3.5
Total	100.0	100.0	100.0



Revenue CAGR between FY23 and FY25E



PAT CAGR between FY23 and FY25E

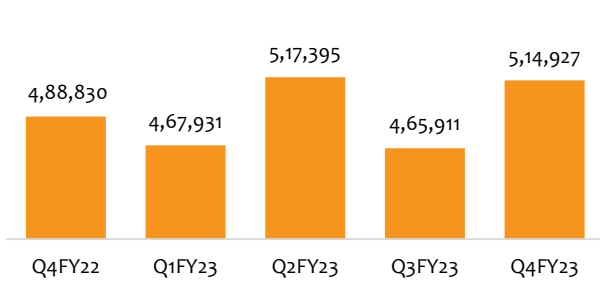
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Key Concall Highlights:

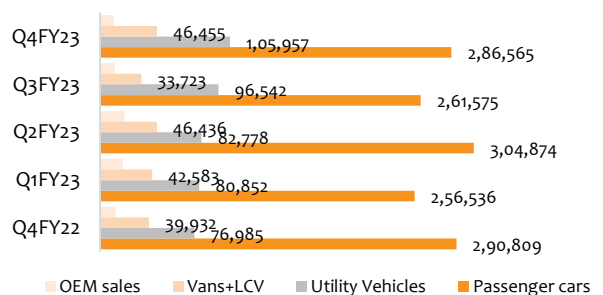
(1) In FY23, MSIL introduced 3 new models, 4 product refreshes, and several new-age technology features. The Company extended the CNG powertrain to 6 models, ensured compliance with new regulations, started construction of a new manufacturing facility, demonstrated its EV concept, enhanced manufacturing flexibility to accommodate the market fluctuations and maximized production value amidst a shortage of electronic components. (2) Average consumption of semiconductors increased due to higher premium features, technology, and infotainment. Globally, one of the drivers of semiconductor use increase is larger cars and EVs in Europe. (3) The average discount in Q4FY23 was INR 13,269 per vehicle, lower QoQ compared to INR 18,291 in Q3FY23, but slightly higher YoY from INR 11,130 in Q4FY22. (4) MSIL’s order book currently stands at 4,12,000 units with CNG comprising 1/3rd of the book and good contribution from new products. (5) Brezza and Grand Vitara enhanced MSIL’s SUV presence and saw strong volumes despite being higher priced. With the new models Jimny and Fronx, the SUV portfolio will be strengthened and MSIL will be poised for leadership in the SUV segment. (6) To expand production, construction started in the first plant of 2,50,000 vehicles per annum capacity in Kharkhoda, Haryana which will be commissioned in 2025E. The Kharkhoda site has a capacity for 4 such plants going up to a cumulative 1 mn vehicles. (7) Additionally, the Board in principle approved enhancing capacity by up to 1 mn vehicles per annum, the details of which in terms of location, timing, etc. are yet to be finalized. (8) Capex for FY23 was INR 60 bn while for FY24E it will be INR 80 bn which will be utilized majorly for Kharkhoda, and for new models and projects and maintenance capex. (9) Manesar plant capacity will go up by 1 lakh units in FY25E. (10) The shift to BS6-2 for gasoline vehicles does not cost much which was a positive for MSIL. Diesel would have seen significant cost jumps. (11) In FY24E, regulatory changes like electronic stability control and seat belt reminders will have minor cost impact. Regulation related to mandatory airbags is still in draft notification stage. (12) MSIL has the lowest CO₂ value fleet among all manufacturers in India so it is well positioned on the regulatory front. (13) MSIL will launch its EV in FY25E with strong features like a 550 km range, 60kwh battery and competitive charging time. (14) In FY23, the share of first-time buyers was about 42%, which was consistent with the past. However, the first-time buyer continues to be under some pressure while replacement and additional vehicle demand can see an upward trend.

Valuation and view: We expect MSIL to grow volumes higher than the PV industry led by new model launches, rising demand for SUVs and MSIL’s enhanced SUV portfolio and high order book with lower inventory levels than ideal. Resolution of the ECU shortage will be a key monitorable to enable MSIL to tap into the demand. We expect FY24E EBITDA margins to be stable around FY23 exit levels as improving product mix will be set off by the expectation of rise in commodity prices and FX rate turning slightly unfavourable. However, we expect margins to expand in FY24E due to improving mix towards higher value and newer models. We cut out FY24E-25E EPS estimates by ~5% each as we modify the estimates for ASP, other income and increase depreciation expense due to higher capex intensity. **We expect a Revenue/ EBITDA/ PAT CAGR of 15.7%/ 26.3%/ 26.0% respectively over FY23 to FY25E. We retain the P/E multiple of 24.6x on FY25E EPS of INR 431.6 (INR 453.6 earlier) to arrive at a target price of INR 10,617/ share (11,158/share earlier). The target price implies a potential upside of 23.6% from the CMP. Accordingly, we maintain our “BUY” rating on the shares of Maruti Suzuki India Ltd.**

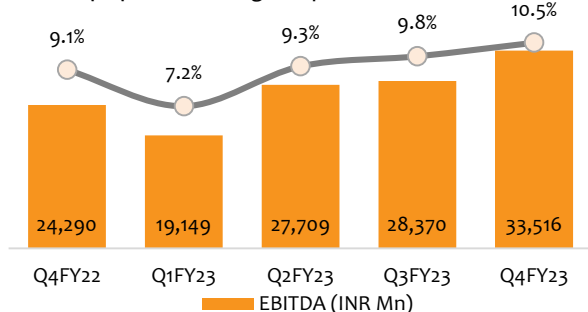
Total Sales volume increased sequentially (Nos)



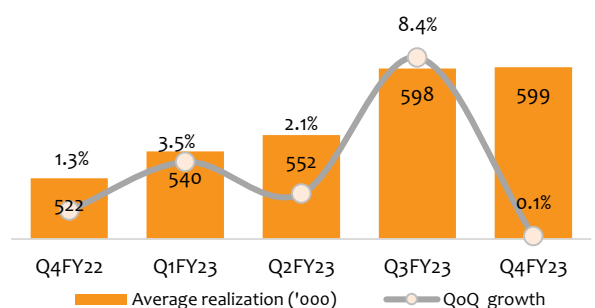
Utility vehicles see consistent QoQ rise (Nos)



QoQ EBITDA margin improvement continued



Average Price Realization flat QoQ (INR '000)



Source: Company, KRChoksey Research

Maruti Suzuki India Ltd.

KEY FINANCIALS

Particulars (Mn)	Q4FY23	Q3FY23	Q4FY22	QoQ	YoY	FY23	FY22	YoY
No. Of. Vehicles Sold	5,14,927	4,65,911	4,88,830	10.5%	5.3%	19,66,164	16,52,653	19.0%
Revenues (INR)	3,20,596	2,90,575	2,67,492	10.3%	19.9%	11,75,713	8,83,298	33.1%
Total Expenditure	2,95,469	2,69,608	2,50,242	9.6%	18.1%	10,95,663	8,55,392	28.1%
Cost of material consumed	1,09,821	1,02,116	1,19,373	7.5%	(8.0%)	4,66,696	3,97,396	17.4%
Purchases of stock in trade	1,25,427	1,10,810	78,726	13.2%	59.3%	3,99,851	2,63,975	51.5%
Change in inventories	-355	-1,851	-1,416	(80.8%)	(74.9%)	-4,039	-931	333.8%
Employee benefits expense	11,181	12,090	10,315	(7.5%)	8.4%	46,346	40,514	14.4%
Other expenses	41,006	39,040	36,204	5.0%	13.3%	1,56,682	1,25,282	25.1%
EBITDA	33,516	28,370	24,290	18.1%	38.0%	1,10,177	57,062	93.1%
EBITDA Margin (%)	10.5%	9.8%	9.1%	69bps	137bps	9.4%	6.5%	291bps
Depreciation	7,397	7,107	6,478	4.1%	14.2%	28,257	27,890	1.3%
EBIT	26,119	21,263	17,812	22.8%	46.6%	81,920	29,172	180.8%
EBIT Margin (%)	8.1%	7.3%	6.7%	83bps	149bps	7.0%	3.3%	367bps
Finance cost	992	296	562	235.1%	76.5%	1,870	1,266	47.7%
Other income	7,429	8,609	4,427	(13.7%)	67.8%	21,407	17,447	22.7%
Pretax Income	32,556	29,576	21,677	10.1%	50.2%	1,01,457	45,353	123.7%
Share of profits of JV/ associates	481	360	716	33.6%	(32.8%)	1,774	1,619	9.6%
Tax	6,329	6,021	3,635	5.1%	74.1%	21,121	8,177	158.3%
Net profit	26,708	23,915	18,758	11.7%	42.4%	82,110	38,795	111.7%
Net Profit Margin (%)	8.3%	8.2%	7.0%	10bps	132bps	7.0%	4.4%	259bps
Diluted EPS (INR)	88.4	79.2	62.1	11.7%	42.4%	271.8	128.4	111.6%

Profit & Loss Statement

INR Million	FY21	FY22	FY23	FY24E	FY25E
Sales of Product	6,65,718	8,37,998	11,25,113	13,28,467	15,07,034
Other operating revenue	38,002	45,300	50,600	59,781	67,817
Revenue from operations	7,03,720	8,83,298	11,75,713	13,88,248	15,74,851
Total Expenditure	6,82,142	8,55,392	10,95,663	12,76,788	14,40,328
Cost of material consumed	3,32,964	3,97,396	4,66,696	5,48,358	6,17,342
Purchases of stock in trade	1,72,541	2,63,975	3,99,851	4,72,005	5,35,449
Change in inventories	2,736	-931	-4,039	-4,165	-1,661
Employee benefits expense	34,316	40,514	46,346	51,329	58,270
Other expenses	1,08,226	1,25,282	1,56,682	1,75,613	1,89,770
EBITDA	52,937	57,062	1,10,177	1,45,107	1,75,681
D&A	30,341	27,890	28,257	31,777	39,289
Operating profit	22,596	29,172	81,920	1,13,330	1,36,393
Interest expense	1,018	1,266	1,870	1,870	1,870
Other income	29,942	17,447	21,407	25,001	28,349
Share of profit of JV/ associates	1,690	1,619	1,774	1,859	2,108
Pretax Income	53,210	46,972	1,03,231	1,38,319	1,64,979
Income tax expense	9,319	8,177	21,121	29,047	34,646
Net profit	43,891	38,795	82,110	1,09,272	1,30,333
Diluted EPS (INR)	145.3	128.5	271.9	361.8	431.6

Source: Company, KRChoksey Research

Maruti Suzuki India Ltd.

Balance Sheet

INR Million	FY21	FY22	FY23	FY24E	FY25E
Assets					
Cash and equivalents	30,471	30,422	416	9,138	57,575
Inventories	30,490	35,323	42,835	55,682	63,076
Investments	84,157	41,001	0	0	0
Trade receivables	12,799	20,345	33,014	38,034	43,147
Loans	230	305	297	297	297
Other financial assets	6,427	25,930	21,934	21,934	21,934
Current tax assets	5,407	0	0	0	0
Other current assets	15,462	14,608	17,660	20,852	23,655
Total current assets	1,85,443	1,67,934	1,16,156	1,45,938	2,09,684
Property, plant and equipment	1,41,785	1,28,261	1,66,921	2,15,144	2,38,849
Capital WIP	11,993	26,462	28,152	28,152	28,152
Intangible assets	5,217	6,402	6,368	6,368	6,368
Right of use assets	5,860	5,712	5,904	5,904	5,904
Investments	3,45,291	3,79,346	4,91,843	5,16,843	5,41,843
Loans	2	2	2	2	2
Other financial assets	369	375	595	595	595
Other noncurrent assets	16,867	32,061	30,028	30,028	30,028
Total non-current assets	5,27,384	5,78,621	7,29,813	8,03,036	8,51,741
Total Assets	7,12,827	7,46,555	8,45,969	9,48,973	10,61,425
Liabilities and equity					
Borrowings	4,888	3,819	12,158	12,158	12,158
Trade payables	1,01,681	97,652	1,17,855	1,38,856	1,57,293
Other financial liabilities	12,720	20,272	18,537	18,537	18,537
Provisions	7,428	8,613	9,624	9,624	9,624
Current tax liability	8,547	11,113	11,584	11,584	11,584
Other current liabilities	25,941	28,766	31,315	31,315	31,315
Total current liabilities	1,61,205	1,70,235	2,01,073	2,22,074	2,40,511
Borrowings	28	0	0	0	0
Provisions	447	844	884	796	716
DTL	4,454	0	0	0	0
Other noncurrent liabilities	21,687	22,141	26,099	26,099	26,099
Total liabilities	1,87,821	1,93,220	2,28,056	2,48,968	2,67,326
Equity share capital	1,510	1,510	1,510	1,510	1,510
Other equity	5,23,496	5,51,825	6,16,403	6,98,495	7,92,589
Non controlling interests	0	0	0	0	0
Total equity	5,25,006	5,53,335	6,17,913	7,00,005	7,94,099
Total liabilities and equity	7,12,827	7,46,555	8,45,969	9,48,973	10,61,425

Free Cash Flow Analysis

INR Crores	FY21	FY22	FY23	FY24E	FY25E
Net Cash Generated From Operations	88,562	18,405	92,514	1,40,913	1,72,433
Net Cash Flow from/(used in) Investing Activities	-72,913	-2,392	-80,361	-1,05,000	-87,994
Net Cash Flow from Financing Activities	-15,449	-16,070	-12,131	-27,191	-36,002
Net Inc/Dec in cash equivalents	200	-57	22	8,722	48,437
Opening Balance Cash	208	408	351	373	9,095
Other bank balances	30,063	30,071	43	43	43
Closing Balance Cash and Cash Equivalents	30,471	30,422	416	9,138	57,575

Ratio Analysis

Key Ratio	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin (%)	7.5%	6.5%	9.4%	10.5%	11.2%
Tax rate (%)	17.5%	17.4%	20.5%	21.0%	21.0%
Net Profit Margin (%)	6.2%	4.4%	7.0%	7.9%	8.3%
RoE (%)	8.6%	7.2%	14.0%	16.6%	17.4%
RoCE (%)	4.3%	5.2%	13.0%	15.9%	16.9%
Current Ratio (x)	1.15x	0.99x	0.58x	0.66x	0.87x
EPS (INR per share)	145.3	128.5	271.9	361.8	431.6
PE	59.1x	66.9x	31.6x	23.7x	19.9x

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
29-Apr-2023	8,590	10,617	BUY	Buy	More than 15%
25-Jan-2023	8,770	11,158	BUY		
31-Oct 2022	9,535	11,158	BUY	Accumulate	5% – 15%
05-Sep 2022	8,950	10,585	BUY		
01-Aug 2022	8,774	10,122	BUY	Hold	0 – 5%
02-May 2022	7,631	9,106	BUY		
27-Jan-2022	8,820	9,557	ACCUMULATE	Reduce	-5% – 0
02-Nov-2021	7,616	8,000	ACCUMULATE		
30-July-2021	6,994	8,000	ACCUMULATE	Sell	Less than – 5%
04-May-2021	6,598	8,000	BUY		

ANALYST CERTIFICATION:

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