

Strong topline and bottom-line growth, however margins a slight miss!

Q1FY24 Result Update | Sector: Auto | August 01, 2023

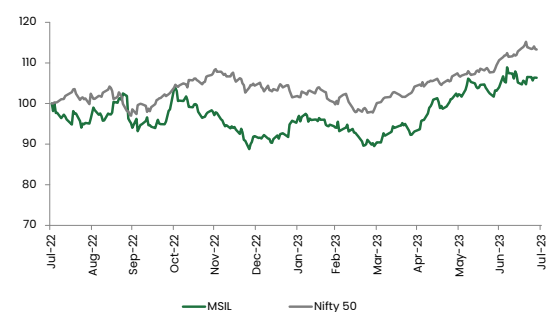
BUY

CMP (Rs)	9,776
Target Price (Rs)	11,501
Potential Upside	17.6%
Sensex	66,556
Nifty	19,755

Key Stock data	
BSE Code	532500
NSE Code	MARUTI
Bloomberg	MSIL:IN
Shares o/s, Cr (FV 5)	30.2
Market Cap (Rs Cr)	295,313
3M Avg Volume	431,360
52 week H/L	10,037/8,076

Shareholding Pattern

(%)	Dec-22	Mar-23	Jun-23
Promoter	56.4	56.4	56.4
FII	21.9	21.8	21.9
DII	18.0	18.2	18.3
Others	3.7	3.6	3.4

1 Year relative price performance

1 year PE Forward (x)

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Strong topline growth: MSIL posted strong revenue growth of 22% YoY while it remained flat sequentially to Rs 32,327 Cr. The healthy performance in the topline was led by 6.4% YoY growth in volumes and superior mix of products in the portfolio. While the volumes were up as compared to last year it declined by 3.3% sequentially due to seasonality factor however, the decline in volumes was offset by higher participation of UV (Utility Vehicle) portfolio while price hike across portfolio cushioned the impact of decline in volumes.

Higher participation of UV portfolio aided margin expansion: The increased emphasis on expanding the UV portfolio has gained strong response from customers as its participation rose to 25.4% of the overall volumes from 17.3% (Q1FY23) and 20.6% (Q4FY23), while it also achieved a market share of ~20% in the UV segment. Similarly, its volumes from the segment grew by 56.3% YoY and 19.3% QoQ to 126,401 units. The higher participation of UV in the portfolio resulted in strong realization expansion by 14.6% YoY/4.3% QoQ to Rs 649,095/unit.

Rise in employee cost impact EBITDA margin expansion: Its Gross profit saw an increase of 30.7% YoY and a moderate growth of 2.7% QoQ to Rs 8,795 Cr with a margin of 27.2% which expanded by 181bps YoY/ 50 bps QoQ aided by declined in the prices of key raw materials. EBITDA for the quarter stood at Rs 2,983 Cr, up by 56% YoY while it declined by 11% sequentially as there was sharp increase in the employee cost on the account of retirement benefit plans as well as retention fee to the employees. Consequently, increased costs impacted the margin growth as it declined by 123bps QoQ to 9.2% for the quarter. Going ahead, we anticipate the margins may improve as the one of employee cost would normalize from Q2FY24 besides, the superior product mix could result in operating leverage which would further aid in margins expansion.

Future Outlook: The Company has indicated that it will be terminating its contract manufacturing agreement with Suzuki Maruti Corporation (SMC) in a move to acquire 100% shares of Suzuki Motor Gujarat (SMG) from SMC with a view to scale its overall manufacturing capacity to ~4 Mn Units by 2030-31. The acquisition could see the company to benefit in terms of better operating efficiency which could result in better margins. The management has indicated that the acquisition would be completed by the end of FY24 after receiving all the regulatory approvals however the mode of acquisition and transaction details will be intimated in a due course.

Outlook & Valuations: The domestic PV industry grew by ~6-7% for the quarter while MSIL domestic volumes were up by 12.4% (excluding sales to Toyota). We anticipate MSIL to continue to lead the industry growth with its new embark in the SUV space garnering strong response from the customers as it now maintains more than 20% market share in the segment. Additionally, it has a strong presence in the CNG space with 15 models on the offering with a market share of ~65% while its portfolio operates on petrol fuel; indicating it has a wide range of offerings to cater diverse needs of customers. We remain optimistic on the growth prospects of the company and estimate its revenue/EBITDA/PAT to grow at a CAGR of 15.2%/27.1%/28.8% over FY23-25E. Hence, we remain overweight and maintain our **Buy** rating with a **target price of Rs 11,501** valuing the company at 26x on FY25E EPS.

Financial Summary - standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	88,296	117,523	138,184	156,074
EBITDA	5,701	11,008	14,233	17,792
EBITDAM (%)	6.5	9.4	10.3	11.4
APAT	3,766	8,049	10,327	13,359
APATM (%)	4.3	6.8	7.5	8.6
EPS (Rs)	124.7	266.5	341.9	442.3
PE (x)	78.4	36.7	28.6	22.1
RoE (%)	7.1	14.1	16.1	18.4

Source : RBL Research

Concall & Other key highlights: 1) Shortage of semiconductor chips impacted the production of ~28k units during the quarter 2) Company achieved a leadership position in the price bracket of Rs 10-20 Lakhs 3) It posted record CNG vehicle sales of more than 113k units during the quarter, while the penetration of CNG vehicles increased to 27%. 3) Order book at the end of quarter stood at 355k units of which Brezza was at 48K, Fronx at ~23k, Grand Vitara at ~27k followed by Jiminy at ~23k and Invicto at ~9k units. 4) Exports revenue stood at Rs 3,760 Cr, up by 3.3% YoY. 5) Royalty for the quarter was at ~3.8% vis a vis ~3.7% in last year. 6) Discounts were at Rs 16,214/unit, up by 27.2% YoY/22.2% QoQ.

Record quarter revenue aided by higher realizations on the account of higher participation of UVs

Retirement benefit plans, employee retention fees and higher other expenses suppressed margins expansion

Exemplary growth of PAT by 145.4% YoY

Healthy volumes growth YoY basis mainly led by UV segment which was up by 56.3% YoY/19.3%QoQ

Sturdy growth of realization from domestic as well as international markets

P&L Account Quarterly - standalone

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Total Volumes (units)	498,030	467,931	6.4	514,927	(3.3)
Avg Realisation (Rs.)	649,095	566,319	14.6	622,379	4.3
Net sales	32,327	26,500	22.0	32,048	0.9
Material costs	23,532	19,770	19.0	23,487	0.2
Gross Profit	8,795	6,730	30.7	8,561	2.7
Gross Margin (%)	27.2	25.4	181 bps	26.7	50 bps
Personnel costs	1,461	1,158	26.1	1,113	31.3
Other overheads	4,351	3,659	18.9	4,097	6.2
EBITDA	2,983	1,912	56.0	3,350	(11.0)
EBITDA Margin (%)	9.2	7.2	201 bps	10.5	-123 bps
EBITDA/Unit	59,896	40,863	46.6	65,064	(7.9)
Depreciation	748	651	14.8	739	1.1
Interest	47	27	69.7	99	(53.1)
Other income	1,001	89	1,031.3	743	34.8
PBT	3,190	1,322	141.4	3,255	(2.0)
Tax	705	309	128.2	631	11.7
Adjusted PAT	2,485	1,013	145.4	2,624	(5.3)
Adj. PAT margin (%)	7.7	3.8	387 bps	8.2	-50 bps

Source : RBL Research

Volumes Breakup (in Units)	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Mini	40,400	48,987	(17.5)	58,903	(31.4)
Compact	210,825	204,877	2.9	225,570	(6.5)
Mid size	3,753	2,672	40.5	2,092	79.4
Utility vehicles	126,401	80,852	56.3	105,957	19.3
Vans	32,676	31,766	2.9	35,056	(6.8)
OEM	12,678	18,523	(31.6)	11,231	12.9
Light Commercial Vehicles	8,079	10,817	(25.3)	11,399	(29.1)
Total Export Sales	63,218	69,437	(9.0)	64,719	(2.3)
Total Sales (Domestic + Export)	498,030	467,931	6.4	514,927	(3.3)

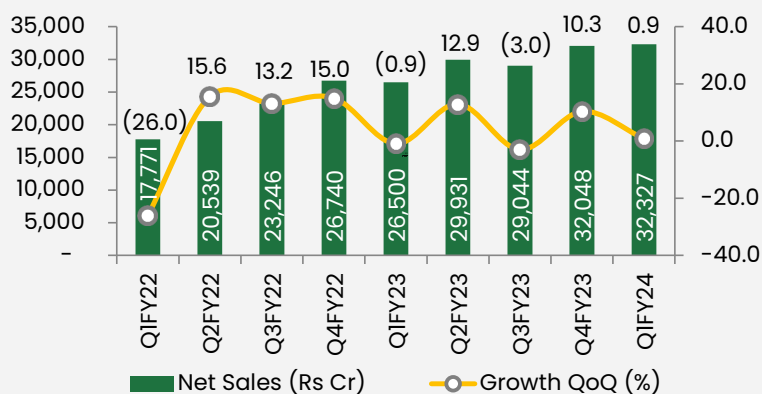
Source : RBL Research

Per Unit Metrics (in Rs)	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Domestic Realizations/Unit	656,994	573,655	14.5	625,222	5.1
Export Realizations/Unit	594,767	524,216	13.5	602,605	(1.3)
Cost/Unit	589,199	525,456	12.1	557,316	5.7
EBITDA/Unit	59,896	40,863	46.6	65,064	(7.9)
PAT/Unit	49,899	21,644	130.5	50,951	(2.1)

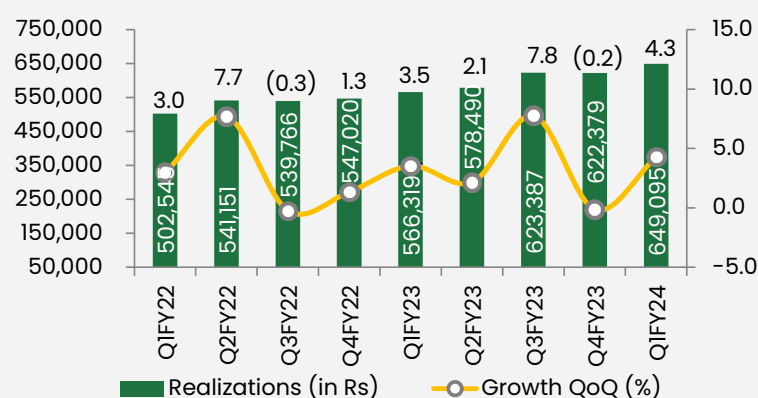
Source : RBL Research

Story in charts

Record quarterly revenue

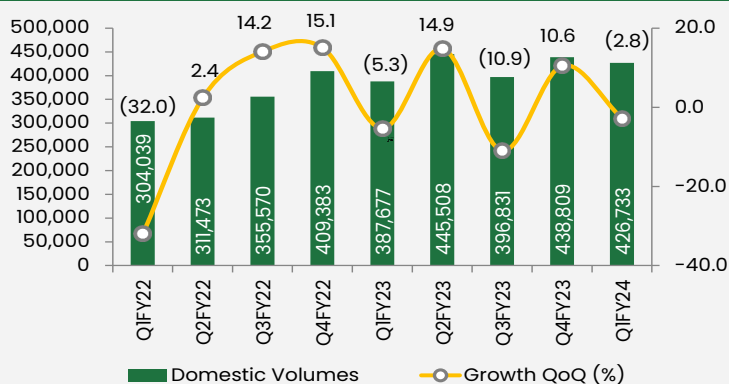


Higher participation of UVs aid realizations growth



Source : RBL Research

Sequential dip in volumes

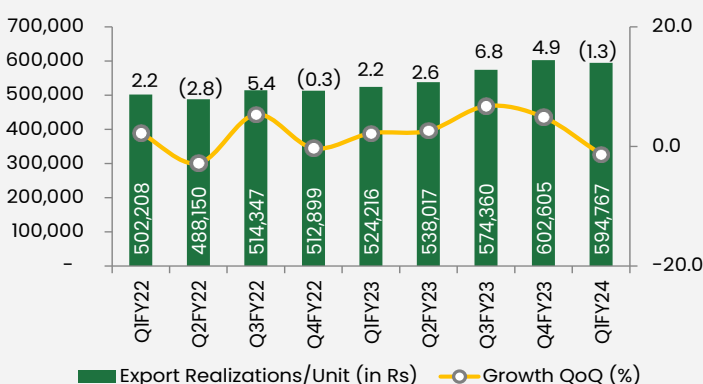


Steady export volumes

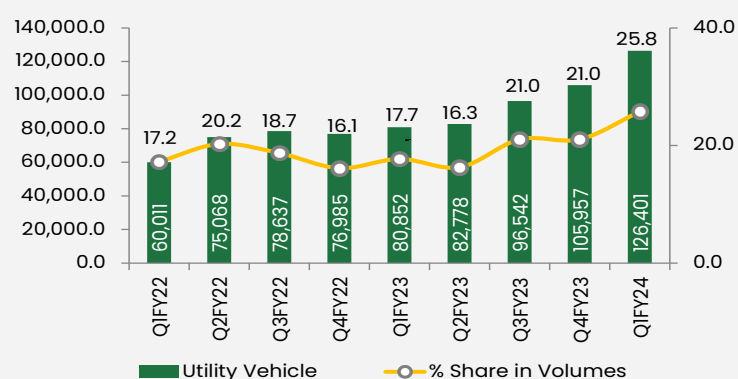


Source : RBL Research

Healthy demand maintains good export realizations

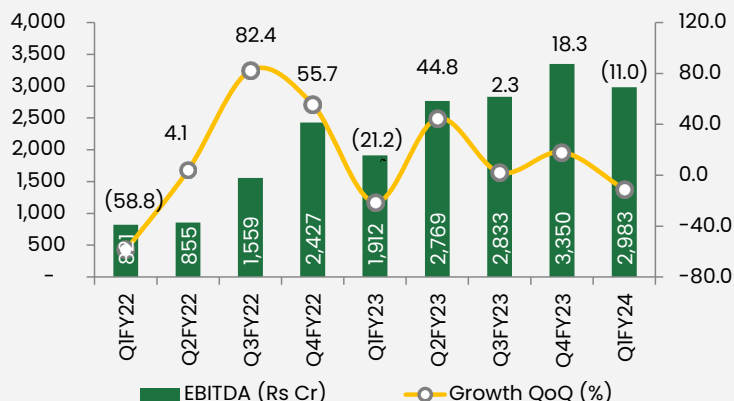


Highest participation of UVs in last 8 quarters

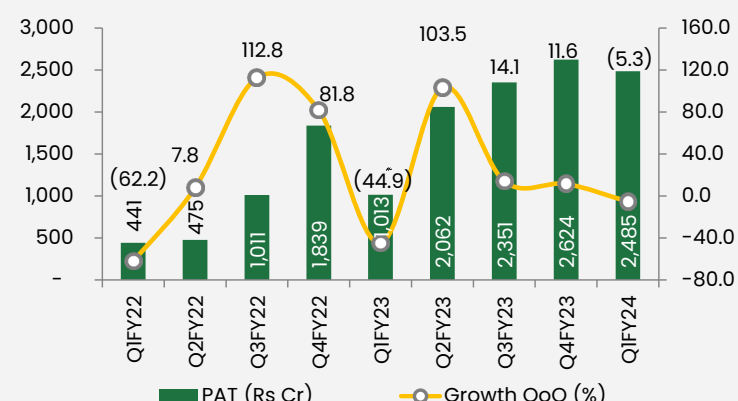


Source : RBL Research

Higher employee cost and other expenses impact the growth



Sturdy trend of Net Profit



Source : RBL Research

P&L Account – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Total Volumes (units)	1,652,653	1,966,164	2,160,583	2,335,218
Net sales	88,296	117,523	138,184	156,074
	534,266	597,727	639,568	668,348
Total Raw material cost	66,037	86,244	100,874	113,154
Employee cost	4,022	4,605	5,804	6,399
Other expenses	12,535	15,667	17,273	18,729
Total expenditure	82,594	106,515	123,951	138,281
EBITDA	5,701	11,008	14,233	17,792
EBITDA/Unit	34,497	55,986	65,875	76,192
EBITDAM (%)	6.5	9.4	10.3	11.4
Other income	1,794	2,161	2,810	3,512
Depreciation	2,787	2,823	3,106	3,416
PBIT	4,708	10,346	13,937	17,888
Interest expenses	126	187	168	166
PBT	4,582	10,159	13,769	17,722
Tax	816	2,110	3,442	4,363
Reported profit	3,766	8,049	10,327	13,359
Adjusted PAT	3,766	8,049	10,327	13,359
PATM (%)	4.3	6.8	7.5	8.6

Source : RBL Research

Balance Sheet – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	151.0	151.0	151.0	151.0
Reserves & Surplus	53,935	60,231	67,538	77,424
Total Shareholder's Fund	54,086	60,382	67,689	77,575
Non-Current Liabilities				
Total Borrowings	382	1,216	966	716
Other long term liabilities	2,211	2,610	2,610	2,610
Long term provision	83	83	83	83
Current Liabilities				
Trade payables	9,761	11,780	15,200	16,388
Short term provisions	861	962	962	962
Other current liabilities	6,010	6,141	7,600	7,101
Total Liabilities	73,394	83,174	95,110	105,435
Fixed Assets	12,800	16,662	18,662	20,662
Current work in process	2,639	2,808	2,793	3,793
Intangible assets	640	637	637	637
Non current investment	36,663	47,756	50,756	54,256
Other non-current assets	3,668	3,370	3,370	3,370
Deferred Tax Assets	203	341	-	-
Current Assets				
Current investments	4,100	-	1,382	1,951
Inventories	3,533	4,284	5,527	6,633
Trade receivables	2,030	3,296	4,836	5,463
Cash & Cash equivalents	3,036	38	893	1,607
Other current assets	4,082	3,983	6,253	7,063
Total Assets	73,394	83,174	95,110	105,435

Source : RBL Research

Cashflow – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Reported PBT	4,582	10,159	13,769	17,722
Depreciation	2,787	2,823	3,106	3,416
Tax paid	(816)	(2,110)	(3,442)	(4,363)
Working capital Change	2,759	4,435	(1,557)	(2,422)
Operating Cash Flow (a)	9,312	15,307	11,875	14,353
Capex	(3,000)	(6,852)	(5,091)	(6,416)
Free Cash Flow	6,312	8,455	6,784	7,937
Investments	(4,656)	(10,795)	(3,000)	(3,500)
Investing Cash Flow (b)	(7,656)	(17,646)	(8,091)	(9,916)
Debt Issuance/ (Repaid)	(107)	834	(250)	(250)
Dividend Paid	(1,812)	(2,718)	(3,020)	(3,473)
Others	263	1,225	341	-
Financing Cash Flow (c)	(1,656)	(659)	(2,929)	(3,723)
Net Cash Flow (a + b + c)	(0)	(2,998)	856	714
Closing Cash	3,036	38	893	1,607

Source : RBL Research

Key ratios – standalone

Particulars	FY22	FY23	FY24E	FY25E
Per Share Ratios				
Dividend per share (Rs.)	60.0	90.0	100.0	115.0
EPS (Rs.)	124.7	266.5	341.9	442.3
CEPS (Rs.)	217.0	360.0	444.8	555.5
Book value per share (Rs.)	1,790.9	1,999.4	2,241.4	2,568.7
Profitability Ratios				
EBITDA Margin (%)	6.5	9.4	10.3	11.4
PBT Margin (%)	5.2	8.6	10.0	11.4
Net Profit Margin (%)	4.3	6.8	7.5	8.6
RoCE (%)	8.8	17.8	21.4	24.3
RoE (%)	7.1	14.1	16.1	18.4
Dividend Payout (%)	48.1	33.8	29.2	26.0
Efficiency				
Fixed Asset Turnover (x)	5.7	6.7	6.8	6.8
Debtors Velocity (Days)	8.4	10.2	12.8	12.8
Inventory (Days)	14.6	13.3	14.6	15.5
Interest Cover Ratio (x)	37.4	55.4	83.0	107.6
Debt-Equity Ratio (x)	0.0	0.0	0.0	0.0
Current ratio (x)	0.5	0.9	0.8	1.0
Valuation Ratios				
P/E (x)	78.4	36.7	28.6	22.1
P/B (x)	5.5	4.9	4.4	3.8
EV/EBIDTA (x)	51.3	26.9	20.7	16.5

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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