

October 28, 2023

## Q2FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	12,485		11,500	
Sales (Rs.m)	14,24,831	15,66,320	14,11,983	15,60,971
% Chng.	0.9	0.3		
EBITDA (Rs.m)	1,67,098	1,97,152	1,52,034	1,84,822
% Chng.	9.9	6.7		
EPS (Rs.)	408.5	475.0	365.7	437.2
% Chng.	11.7	8.6		

### Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	1,175	1,425	1,566	1,704
EBITDA (Rs. bn)	110	167	197	219
Margin (%)	9.4	11.7	12.6	12.9
PAT (Rs. bn)	80	128	149	165
EPS (Rs.)	266.5	408.5	475.0	523.8
Gr. (%)	113.7	53.3	16.3	10.3
DPS (Rs.)	90.0	120.0	140.0	160.0
Yield (%)	0.9	1.1	1.3	1.5
RoE (%)	14.1	19.8	20.0	19.2
RoCE (%)	14.1	20.5	21.5	21.0
EV/Sales (x)	2.3	1.9	1.7	1.5
EV/EBITDA (x)	24.9	16.3	13.3	11.4
PE (x)	39.6	25.9	22.2	20.2
P/BV (x)	5.3	4.8	4.2	3.6

### Key Data

MRTI.BO | MSIL IN

52-W High / Low	Rs.10,846 / Rs.8,076
Sensex / Nifty	63,783 / 19,047
Market Cap	Rs.3,190bn/ \$ 38,323m
Shares Outstanding	302m
3M Avg. Daily Value	Rs.5266.43m

### Shareholding Pattern (%)

Promoter's	56.48
Foreign	21.85
Domestic Institution	18.15
Public & Others	3.45
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	23.6	16.8
Relative	2.5	17.5	9.4

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## Strength in margins to sustain

### Quick Pointers:

- Festive season growth at 18% YoY to drive MSIL's FY24 growth to 10%.
- MSIL expects to sustain current margins, assuming "ceteris paribus".

**Maruti Suzuki (MSIL) has convincingly broken its double digit margin mark after a period of 20 quarters (large part of it being sustainable) and thereby we increase our FY24-FY26E EPS estimates by 9-12% to factor in strong beat on margins & higher other income. MSIL's 2QFY24 revenues were largely in-line vs PLe and consensus estimates, however, EBITDA margin was a solid beat (12.9% vs BBGe & PLe: 11.0%) helped by lower RM, controlled other expenses and benefits from inventorisation. The company guided for domestic PV volume growth of 10% compared to c5% for peers in FY24E, while festive season sales were strong for both MSIL and industry; expected to grow by c18% YoY. Management maintained that margins are sustainable in current scenario and inventory movement is a normal phenomenon. Also small cars will continue to lag, while exports will improve over the medium term.**

**We believe MSIL is well placed to benefit from (1) market share gains & ASP increase from higher mix of the new UV portfolio, (2) c350bps increase (over FY23-26E) in EBITDA margins on the back of lower input price, cost control, operating leverage and higher UV share and (3) export volume. We reiterate 'BUY' rating and TP of Rs 12,485 (previous Rs. 11,500) at 25x Sep-25E EPS.**

- **Strong beat on margins:** Revenue grew by ~24% YoY, largely in line with PLe and Bloomberg consensus estimates (BBGe). EBITDA margins at c12.9% were above our and BBGe both at 11.0%, helped by gross margin expansion by ~220bps QoQ, improved capacity utilisation, softening of commodity prices and favorable forex, but also had an element of inventorisation benefit which increased the outperformance. Good Opex control further helped margins despite higher discounting. Higher other income increased the PAT beat.
- **Key takeaway: (1)** MSIL expects its domestic PV volume to grow by 10% and peers to grow by 5% in FY24E. Festive season retails are expected to grow by 18% YoY for MSIL and industry. Management noted that while its peers are expecting flattish volumes in FY25E, it expects to grow however, refrained from providing guidance. MSIL sees small cars have been impacted due to lower affordability, however, should recover but only in the medium term. **(2)** MSIL has started exporting 5-door Jimny to LATAM, Middle East and Africa. It aims to increase its export volume by upto 3x and reach 750k-800k units by FY31. **(3)** MSIL has an order book of 288k units (vs 355k unit in 1QFY24), out of which CNG (123k units) and new SUVs account for majority. Inventory has increased to over a month to cater to higher festive demand. **(4)** MSIL reached SUV market share of ~23% in Q2 helped by recently launched models. **(5)** Commodity basket was favorable in 2Q helped by declining trends in precious metals. This along with favorable FX could benefit margins in 3Q as well, however, increase in steel prices could play a spoilsport. **(6)** MSIL gave discounts of about Rs. 17.7k per vehicles. **(7)** MSIL saw no production losses due to semiconductor shortages after eight quarters. **(8)** MSIL has Rs.80bn capex plan for FY24 of which 50bn is for H2FY24.

**Exhibit 1: 2QFY24 Result Overview (Rs mn)**

Y/e March	2QFY24	2QFY23	YoY gr. (%)	1QFY24	QoQ gr. (%)	1HFY24	2HFY23	YoY gr. (%)
<b>Net Revenues</b>	<b>3,70,621</b>	<b>2,99,308</b>	<b>23.8</b>	<b>3,23,269</b>	<b>14.6</b>	<b>6,93,890</b>	<b>5,64,306</b>	<b>23.0</b>
Raw Materials	2,61,690	2,18,801	19.6	2,35,317	11.2	4,97,007	4,16,503	19.3
<i>% of Net Sales</i>	<i>70.6</i>	<i>73.1</i>		<i>72.8</i>		<i>71.6</i>	<i>73.8</i>	
Personnel	13,127	11,327	15.9	12,023	9.2	25,150	22,911	9.8
<i>% of Net Sales</i>	<i>3.5</i>	<i>3.8</i>		<i>3.7</i>		<i>3.6</i>	<i>4.1</i>	
Manufacturing & Other Exp	47,962	41,491	15.6	43,513	10.2	91,475	78,082	17.2
<i>% of Net Sales</i>	<i>12.9</i>	<i>13.9</i>		<i>13.5</i>		<i>13.2</i>	<i>13.8</i>	
Total Expenditure	3,22,779	2,71,619	18.8	2,90,853	11.0	6,13,632	5,17,496	18.6
<b>EBITDA</b>	<b>47,842</b>	<b>27,689</b>	<b>72.8</b>	<b>32,416</b>	<b>47.6</b>	<b>80,258</b>	<b>46,810</b>	<b>71.5</b>
<i>EBITDA Margin (%)</i>	<i>12.9</i>	<i>9.3</i>		<i>10.0</i>		<i>11.6</i>	<i>8.3</i>	
Depreciation	7,941	7,226	9.9	7,475	6.2	15,416	13,740	12.2
<b>EBIT</b>	<b>39,901</b>	<b>20,463</b>	<b>95.0</b>	<b>24,941</b>	<b>60.0</b>	<b>64,842</b>	<b>33,070</b>	<b>96.1</b>
Interest Expenses	351	305	15.1	465	(24.5)	816	579	40.9
Non-operating income	8,436	6,125	37.7	10,012	(15.7)	18,448	7,010	163.2
<b>PBT</b>	<b>47,986</b>	<b>26,283</b>	<b>82.6</b>	<b>31,902</b>	<b>50.4</b>	<b>79,888</b>	<b>39,501</b>	<b>102.2</b>
Tax-Total	10,821	5,668	90.9	7,051	53.5	17,872	8,758	104.1
<i>Tax Rate (%) - Total</i>	<i>22.6</i>	<i>21.6</i>		<i>22.1</i>		<i>22.4</i>	<i>22.2</i>	
<b>Reported PAT</b>	<b>37,165</b>	<b>20,615</b>	<b>80.3</b>	<b>24,851</b>	<b>49.6</b>	<b>62,016</b>	<b>30,743</b>	<b>101.7</b>
<b>Adj. PAT</b>	<b>37,165</b>	<b>20,615</b>	<b>80.3</b>	<b>27,437</b>	<b>35.5</b>	<b>64,602</b>	<b>30,743</b>	<b>110.1</b>
<i>PAT Margin</i>	<i>10.0</i>	<i>6.9</i>		<i>8.5</i>		<i>9.3</i>	<i>5.4</i>	

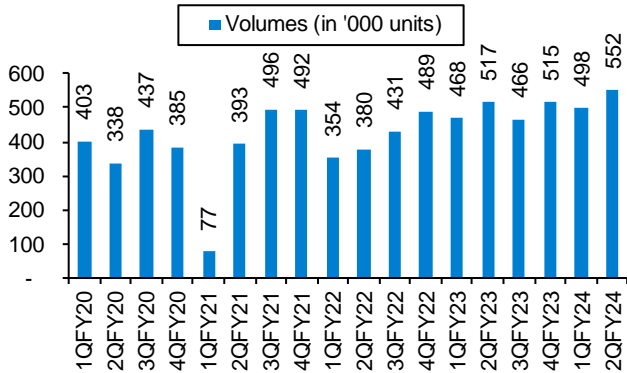
Source: Company, PL

**Exhibit 2: Operating Metrics – Higher SUV sales helping realization QoQ**

Y/e March	2QFY24	2QFY23	YoY gr. (%)	1QFY24	QoQ gr. (%)	1HFY24	2HFY23	YoY gr. (%)
<b>Volume (nos)</b>	<b>5,52,055</b>	<b>5,17,395</b>	<b>6.7</b>	<b>4,98,030</b>	<b>10.8</b>	<b>10,50,085</b>	<b>9,85,326</b>	<b>6.6</b>
Net Realisation/Vehicle	6,71,348	5,78,490	16.1	6,49,095	3.4	6,60,794	5,72,710	15.4
Material cost/vehicle	4,74,029	4,22,890	12.1	4,72,496	0.3	4,73,302	4,22,706	12.0
Gross Profit / vehicle	1,97,319	1,55,601	26.8	1,76,600	11.7	1,87,492	1,50,004	25.0
Employee cost /vehicle	23,778	21,892	8.6	24,141	(1.5)	23,950	23,252	3.0
Other expenses / vehicle	86,879	80,192	8.3	87,370	(0.6)	87,112	79,245	9.9
EBITDA/vehicle	86,662	53,516	61.9	65,089	33.1	76,430	47,507	60.9
Net Profit/vehicle	67,321	39,844	69.0	49,899	34.9	59,058	31,201	89.3

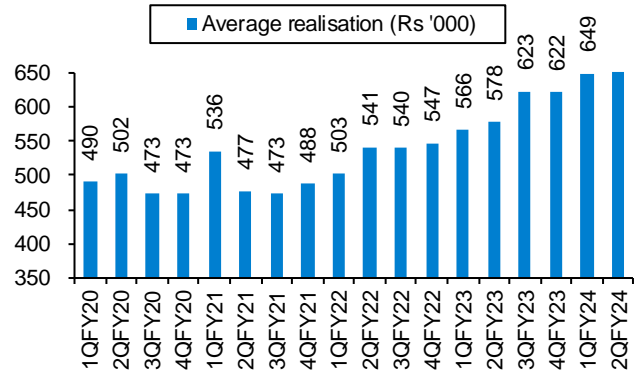
Source: Company, PL

**Exhibit 3: Volumes for the quarter grew by ~11% QoQ**



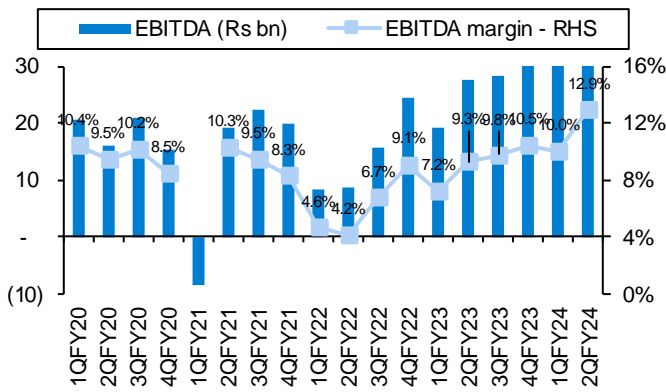
Source: Company, PL

**Exhibit 4: ASPs grew ~3% QoQ**



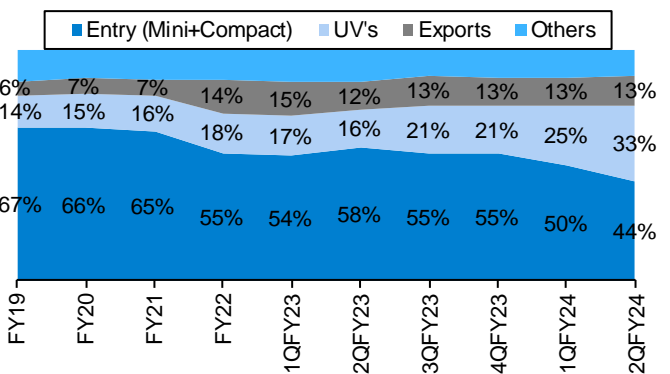
Source: Company, PL

**Exhibit 5: Margin grew by 290bps**



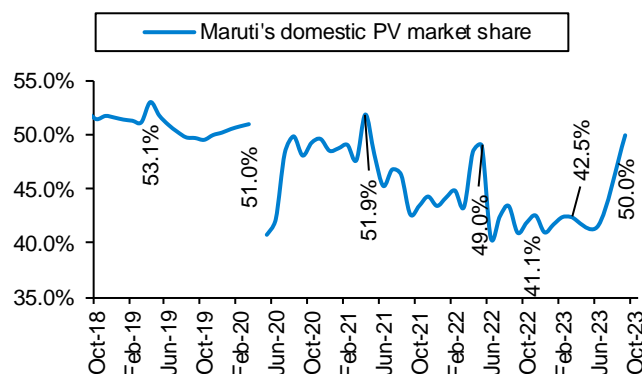
Source: Company, PL

**Exhibit 6: UV mix increases sharply QoQ**



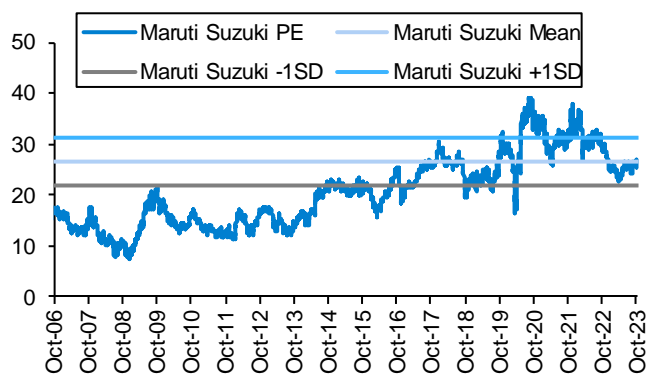
Source: Company, PL

**Exhibit 7: Maruti leading market on SUV, Vans and PV**



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	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>11,75,229</b>	<b>14,24,831</b>	<b>15,66,320</b>	<b>17,03,775</b>
YoY gr. (%)	33.1	21.2	9.9	8.8
Cost of Goods Sold	8,61,062	10,19,005	11,17,062	12,15,091
Gross Profit	3,14,167	4,05,826	4,49,258	4,88,684
Margin (%)	26.7	28.5	28.7	28.7
Employee Cost	46,051	51,363	55,533	60,006
Other Expenses	1,58,039	1,87,365	1,96,573	2,09,564
<b>EBITDA</b>	<b>1,10,077</b>	<b>1,67,098</b>	<b>1,97,152</b>	<b>2,19,114</b>
YoY gr. (%)	93.1	51.8	18.0	11.1
Margin (%)	9.4	11.7	12.6	12.9
Depreciation and Amortization	28,233	31,288	33,648	36,533
<b>EBIT</b>	<b>81,844</b>	<b>1,35,810</b>	<b>1,63,504</b>	<b>1,82,580</b>
Margin (%)	7.0	9.5	10.4	10.7
Net Interest	1,866	1,997	2,136	2,286
Other Income	21,613	32,169	32,521	33,544
<b>Profit Before Tax</b>	<b>1,01,591</b>	<b>1,65,982</b>	<b>1,93,888</b>	<b>2,13,838</b>
Margin (%)	8.6	11.6	12.4	12.6
Total Tax	21,099	37,581	44,594	49,183
Effective tax rate (%)	20.8	22.6	23.0	23.0
<b>Profit after tax</b>	<b>80,492</b>	<b>1,28,401</b>	<b>1,49,294</b>	<b>1,64,655</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>80,492</b>	<b>1,28,401</b>	<b>1,49,294</b>	<b>1,64,655</b>
YoY gr. (%)	-	-	-	-
Margin (%)	6.8	9.0	9.5	9.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>80,492</b>	<b>1,28,401</b>	<b>1,49,294</b>	<b>1,64,655</b>
YoY gr. (%)	113.7	59.5	16.3	10.3
Margin (%)	6.8	9.0	9.5	9.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
<b>Equity Shares O/s (m)</b>	<b>302</b>	<b>314</b>	<b>314</b>	<b>314</b>
<b>EPS (Rs)</b>	<b>266.5</b>	<b>408.5</b>	<b>475.0</b>	<b>523.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,14,553</b>	<b>4,54,553</b>	<b>4,94,553</b>	<b>5,34,553</b>
Tangibles	4,14,553	4,54,553	4,94,553	5,34,553
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>2,36,504</b>	<b>2,67,792</b>	<b>3,01,440</b>	<b>3,37,974</b>
Tangibles	2,36,504	2,67,792	3,01,440	3,37,974
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>1,78,049</b>	<b>1,86,761</b>	<b>1,93,113</b>	<b>1,96,579</b>
Tangibles	1,78,049	1,86,761	1,93,113	1,96,579
Intangibles	-	-	-	-
Capital Work In Progress	28,970	30,419	31,939	33,536
Goodwill	-	-	-	-
Non-Current Investments	12,162	12,162	12,162	12,162
Net Deferred tax assets	3,411	3,411	3,411	3,411
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	4,65,402	5,25,402	5,85,402	6,45,402
Inventories	42,838	54,651	60,078	65,350
Trade receivables	32,958	31,229	34,330	37,343
Cash & Bank Balance	377	77,684	1,29,849	1,94,068
Other Current Assets	44,882	44,882	44,882	44,882
<b>Total Assets</b>	<b>8,28,376</b>	<b>9,88,202</b>	<b>11,19,269</b>	<b>12,59,588</b>
<b>Equity</b>				
Equity Share Capital	1,510	1,572	1,572	1,572
Other Equity	6,02,310	6,92,992	7,98,281	9,12,645
<b>Total Network</b>	<b>6,03,820</b>	<b>6,94,564</b>	<b>7,99,853</b>	<b>9,14,217</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	12,158	12,658	13,158	13,658
Trade payables	1,17,804	1,79,568	1,97,399	2,14,722
Other current liabilities	98,005	1,04,823	1,12,269	1,20,402
<b>Total Equity &amp; Liabilities</b>	<b>8,28,376</b>	<b>9,88,202</b>	<b>11,19,269</b>	<b>12,59,588</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,01,591	1,63,396	1,93,888	2,13,838
Add. Depreciation	28,233	31,288	33,648	36,533
Add. Interest	1,866	1,997	2,136	2,286
Less Financial Other Income	21,613	32,169	32,521	33,544
Add. Other	(21,613)	(32,169)	(32,521)	(33,544)
Op. profit before WC changes	1,10,077	1,64,512	1,97,152	2,19,114
Net Changes-WC	10,583	56,224	14,248	14,419
Direct tax	(22,483)	(37,581)	(44,594)	(49,183)
<b>Net cash from Op. activities</b>	<b>98,177</b>	<b>1,83,155</b>	<b>1,66,806</b>	<b>1,84,350</b>
Capital expenditures	(68,785)	(41,449)	(41,521)	(41,597)
Interest / Dividend Income	-	-	-	-
Others	21,613	32,169	32,521	33,544
<b>Net Cash from Inv. activities</b>	<b>(47,172)</b>	<b>(9,280)</b>	<b>(9,000)</b>	<b>(8,053)</b>
Issue of share cap. / premium	9,655	2,648	-	-
Debt changes	8,339	500	500	500
Dividend paid	(27,187)	(37,719)	(44,005)	(50,292)
Interest paid	(1,866)	(1,997)	(2,136)	(2,286)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(11,059)</b>	<b>(36,568)</b>	<b>(45,642)</b>	<b>(52,078)</b>
<b>Net change in cash</b>	<b>39,946</b>	<b>1,37,307</b>	<b>1,12,165</b>	<b>1,24,219</b>
Free Cash Flow	29,392	1,41,706	1,25,285	1,42,753

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Net Revenue</b>	<b>2,90,443</b>	<b>3,20,480</b>	<b>3,23,269</b>	<b>3,70,621</b>
YoY gr. (%)	24.9	19.9	22.0	23.8
Raw Material Expenses	2,11,058	2,34,874	2,35,317	2,61,690
Gross Profit	79,385	85,606	87,952	1,08,931
Margin (%)	27.3	26.7	27.2	29.4
<b>EBITDA</b>	<b>28,331</b>	<b>33,503</b>	<b>32,416</b>	<b>47,842</b>
YoY gr. (%)	81.7	38.1	69.5	72.8
Margin (%)	9.8	10.5	10.0	12.9
Depreciation / Depletion	7,101	7,392	7,475	7,941
<b>EBIT</b>	<b>21,230</b>	<b>26,111</b>	<b>24,941</b>	<b>39,901</b>
Margin (%)	7.3	8.1	7.7	10.8
Net Interest	296	991	465	351
Other Income	8,608	7,428	10,012	8,436
<b>Profit before Tax</b>	<b>29,542</b>	<b>32,549</b>	<b>34,489</b>	<b>47,987</b>
Margin (%)	10.2	10.2	10.7	12.9
Total Tax	6,029	6,312	7,051	10,821
Effective tax rate (%)	20.4	19.4	20.4	22.5
<b>Profit after Tax</b>	<b>23,513</b>	<b>26,237</b>	<b>27,438</b>	<b>37,166</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>23,513</b>	<b>26,236</b>	<b>27,437</b>	<b>37,165</b>
YoY gr. (%)	132.5	42.7	170.9	80.3
Margin (%)	8.1	8.2	8.5	10.0
Extra Ord. Income / (Exp)	-	1	1	1
<b>Reported PAT</b>	<b>23,513</b>	<b>26,237</b>	<b>27,438</b>	<b>37,166</b>
YoY gr. (%)	132.5	42.7	170.9	80.3
Margin (%)	8.1	8.2	8.5	10.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>23,513</b>	<b>26,237</b>	<b>27,438</b>	<b>37,166</b>
Avg. Shares O/s (m)	314	314	314	314
<b>EPS (Rs)</b>	<b>74.8</b>	<b>83.5</b>	<b>87.3</b>	<b>118.2</b>

Source: Company Data, PL Research

**Key Financial Metrics**

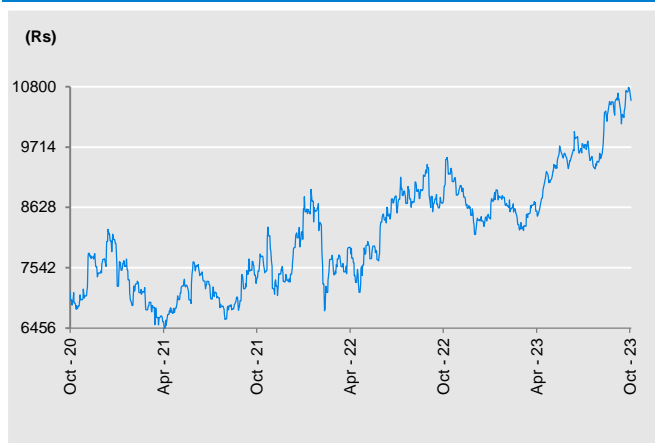
Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	266.5	408.5	475.0	523.8
CEPS	360.0	508.0	582.0	640.1
BVPS	1,999.4	2,209.7	2,544.7	2,908.5
FCF	97.3	450.8	398.6	454.2
DPS	90.0	120.0	140.0	160.0
<b>Return Ratio(%)</b>				
RoCE	14.1	20.5	21.5	21.0
ROIC	56.6	179.5	280.6	453.9
RoE	14.1	19.8	20.0	19.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.8)	(0.9)	(0.9)	(0.9)
Net Working Capital (Days)	(29)	(38)	(38)	(38)
<b>Valuation(x)</b>				
PER	39.6	25.9	22.2	20.2
P/B	5.3	4.8	4.2	3.6
P/CEPS	29.3	20.8	18.1	16.5
EV/EBITDA	24.9	16.3	13.3	11.4
EV/Sales	2.3	1.9	1.7	1.5
Dividend Yield (%)	0.9	1.1	1.3	1.5

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
Volume (units)	19,66,164	21,46,124	22,83,777	24,31,848
Net realisation (Rs/unit)	5,97,727	6,63,909	6,85,846	7,00,609

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	BUY	11,500	10,302
2	31-Jul-23	BUY	11,100	9,821
3	07-Jul-23	BUY	11,100	9,859
4	26-Apr-23	BUY	10,300	8,507
5	12-Apr-23	BUY	10,600	8,660
6	25-Jan-23	BUY	10,600	8,699
7	05-Jan-23	BUY	10,000	8,423
8	31-Oct-22	BUY	10,230	9,493

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	220	172
2	Bajaj Auto	Reduce	4,800	5,144
3	Bharat Forge	BUY	1,170	1,092
4	CEAT	Accumulate	2,515	2,195
5	Eicher Motors	Accumulate	3,730	3,450
6	Endurance Technologies	Accumulate	1,820	1,585
7	Exide Industries	Accumulate	295	259
8	Hero Motocorp	Accumulate	3,575	3,038
9	Mahindra & Mahindra	BUY	1,775	1,549
10	Maruti Suzuki	BUY	11,500	10,302
11	Tata Motors	BUY	760	622
12	TVS Motor Company	Accumulate	1,560	1,501

**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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