

January 31, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	12,200		12,100	
Sales (Rs. m)	15,08,036	16,42,255	15,22,714	16,58,065
% Chng.	(1.0)	(1.0)		
EBITDA (Rs. m)	1,92,204	2,12,885	1,95,407	2,16,639
% Chng.	(1.6)	(1.7)		
EPS (Rs.)	453.3	499.6	448.7	495.8
% Chng.	1.0	0.8		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	1,175	1,389	1,508	1,642
EBITDA (Rs. bn)	110	163	192	213
Margin (%)	9.4	11.7	12.7	13.0
PAT (Rs. bn)	80	131	142	157
EPS (Rs.)	266.5	415.3	453.3	499.6
Gr. (%)	113.7	55.8	9.2	10.2
DPS (Rs.)	90.0	120.0	140.0	160.0
Yield (%)	0.9	1.2	1.4	1.6
RoE (%)	14.1	18.3	16.3	16.1
RoCE (%)	14.1	18.2	16.9	17.0
EV/Sales (x)	2.2	1.9	1.7	1.4
EV/EBITDA (x)	23.8	16.0	13.0	11.2
PE (x)	38.2	24.5	22.5	20.4
P/BV (x)	5.1	3.9	3.5	3.1

Key Data

MRTI.BO | MSIL IN

52-W High / Low	Rs.10,933 / Rs.8,127
Sensex / Nifty	71,752 / 21,726
Market Cap	Rs.3,203bn/ \$ 38,568m
Shares Outstanding	314m
3M Avg. Daily Value	Rs.5875.55m

Shareholding Pattern (%)

Promoter's	58.19
Foreign	20.60
Domestic Institution	17.77
Public & Others	3.43
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	3.7	14.5
Relative	(0.4)	(3.8)	(5.0)

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Mixed performance; comfortable inventory level

Quick Pointers:

- Inventory at 45k units in less than 15 days; orderbook at 215k units.
- 4Q margins to go back >12% given lower discounting, operating leverage, etc.

Maruti Suzuki's (MSIL) 3QFY24 revenues were largely in-line vs PLe and consensus estimates, while EBITDA margin at 11.7% beat PLe, it was in-line vs BBGe. MSIL noted presence of tailwinds for margins to improve as Q4 volume is seasonally stronger than Q3, discounting is lower QoQ and continued benefit from forex & lower precious metals price. MSIL undertook massive inventory correction with wholesales being 115k unit lower than retail, bringing down dealer inventory level to 45k units at end of Q3. Higher traction for CNG cars (along with improving supplies) and higher SUV sales should help MSIL grow faster than the industry which is expected to grow at low to mid single digit in FY25 (on a high base). Higher exports, launch of EV model and sales to Toyota should support overall growth.

We believe MSIL will benefit from (1) market share gains & ASP increase from higher mix of new UV portfolio and CNG models, (2) c120bps increase (over FY24-26E) in EBITDA margin on the back of lower input price, cost control, operating leverage and higher UV and export share and (3) high growth in export segment. We tweak our FY24-FY26E EPS estimates by 1-4% to factor in beat on PAT and management commentary. We reiterate 'BUY' rating and TP of Rs 12,200 (previous Rs. 12,100) at 25x Dec-25E EPS.

In-line revenue, margin performance mixed: Revenue grew by ~15% YoY, largely in line with PLe and Bloomberg consensus estimates (BBGe). EBITDA margins at 11.7% fell 120bps QoQ on lower volumes, higher discounting, and came above PLe (11.0%) but in line with BBGe. Higher other income and lower depreciation increased the beat on PAT.

Key takeaway: (1) Maruti noted industry volume of ~4.3mn unit in FY25, with MSIL outperforming; small cars are expected to continue to underperform. Dealer inventory is at 45k units and orderbook is at 215k unit (vs 288k unit in 2QFY24). CNG vehicles which accounted for ~16% of the industry and 30.9% for MSIL is expected to grow at a higher rate helped by network expansion and supply chain de-bottlenecking. **(2)** MSIL sees export market growing faster helped by entry into new markets, higher penetration, free trade agreements and new model launches. However, Red sea issue could have minor impact in the near term. **(3)** MSIL will start production of its first BEV in CY24 for both domestic and export market (model will be an upmarket offering, longer than Grand Vitara, with 550km range, 60kwh battery, and feature rich), it will be exported to Europe and Japan. **(4)** Margins came lower by ~120bps QoQ with negative operating leverage (110bps), discounting and advertisement (70bps & 30bps) having an impact, partially offset by gains from forex (30bps) and royalty (3.5% vs 3.8% in Q2). **(5)** MSIL took a price hike of 0.45% in Jan-24, while ASP increased by ~6.6% YoY helped by better product mix. **(6)** Discounts was at ~Rs. 23.3k per unit (~Rs 17.7k in Q2). **(7)** MSIL will see new capacity coming online starting with 100k unit at Manesar (by Mar-24), 250k at Kharkhoda (by FY25-end) and doubling from 2.2mn unit to 4mn unit (by FY31).

Exhibit 1: 3QFY24 Result Overview (Rs mn)

Y/e March	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Revenues	3,33,087	2,90,443	14.7	3,70,621	(10.1)	10,26,977	8,54,749	20.1
Raw Materials	2,36,176	2,11,058	11.9	2,61,690	(9.7)	7,33,183	6,27,561	16.8
<i>% of Net Sales</i>	<i>70.9</i>	<i>72.7</i>		<i>70.6</i>		<i>71.4</i>	<i>73.4</i>	
Personnel	13,386	12,010	11.5	13,127	2.0	38,536	34,921	10.4
<i>% of Net Sales</i>	<i>4.0</i>	<i>4.1</i>		<i>3.5</i>		<i>3.8</i>	<i>4.1</i>	
Manufacturing & Other Exp	44,446	39,044	13.8	47,962	(7.3)	1,35,921	1,17,126	16.0
<i>% of Net Sales</i>	<i>13.3</i>	<i>13.4</i>		<i>12.9</i>		<i>13.2</i>	<i>13.7</i>	
Total Expenditure	2,94,008	2,62,112	12.2	3,22,779	(8.9)	9,07,640	7,79,608	16.4
EBITDA	39,079	28,331	37.9	47,842	(18.3)	1,19,337	75,141	58.8
<i>EBITDA Margin (%)</i>	<i>11.7</i>	<i>9.8</i>		<i>12.9</i>		<i>11.6</i>	<i>8.8</i>	
Depreciation	7,517	7,101	5.9	7,941	(5.3)	22,933	20,841	10.0
EBIT	31,562	21,230	48.7	39,901	(20.9)	96,404	54,300	77.5
Interest Expenses	354	296	19.6	351	0.9	1,170	875	33.7
Non-operating income	9,330	8,608	8.4	8,436	10.6	27,778	15,618	77.9
PBT	40,538	29,542	37.2	47,986	(15.5)	1,20,426	69,043	74.4
Tax-Total	9,238	6,029	53.2	10,821	(14.6)	27,110	14,787	83.3
<i>Tax Rate (%) - Total</i>	<i>22.8</i>	<i>20.4</i>		<i>22.6</i>		<i>22.5</i>	<i>21.4</i>	
Reported PAT	31,300	23,513	33.1	37,165	(15.8)	93,316	54,256	72.0
Adj. PAT	31,300	23,513	33.1	37,165	(15.8)	95,902	54,256	76.8
<i>PAT Margin</i>	<i>9.4</i>	<i>8.1</i>		<i>10.0</i>		<i>9.3</i>	<i>6.3</i>	

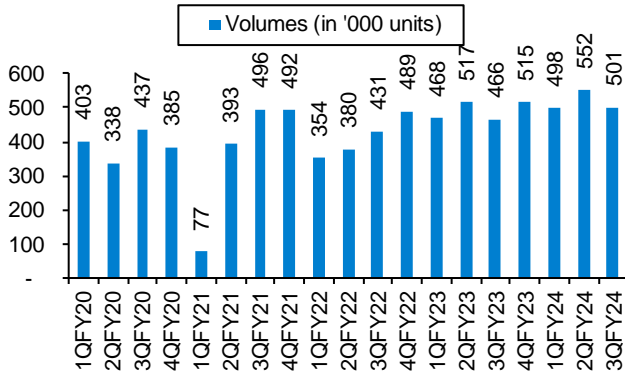
Source: Company, PL

Exhibit 2: Operating Metrics – Realization QoQ was flattish

Y/e March	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Volume (nos)	5,01,207	4,65,911	7.6	5,52,055	(9.2)	15,51,292	14,51,237	6.9
Net Realisation/Vehicle	6,64,570	6,23,387	6.6	6,71,348	(1.0)	6,62,014	5,88,980	12.4
Material cost/vehicle	4,71,214	4,53,001	4.0	4,74,029	(0.6)	4,72,627	4,32,432	9.3
Gross Profit / vehicle	1,93,355	1,70,387	13.5	1,97,319	(2.0)	1,89,387	1,56,548	21.0
Employee cost /vehicle	26,708	25,777	3.6	23,778	12.3	24,841	24,063	3.2
Other expenses / vehicle	88,678	83,801	5.8	86,879	2.1	87,618	80,708	8.6
EBITDA/vehicle	77,970	60,808	28.2	86,662	(10.0)	76,928	51,777	48.6
Net Profit/vehicle	62,449	50,467	23.7	67,321	(7.2)	60,154	37,386	60.9

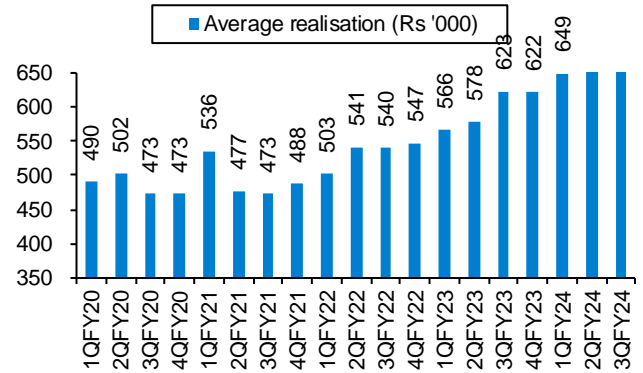
Source: Company, PL

Exhibit 3: Volumes for the quarter declined by ~9% QoQ



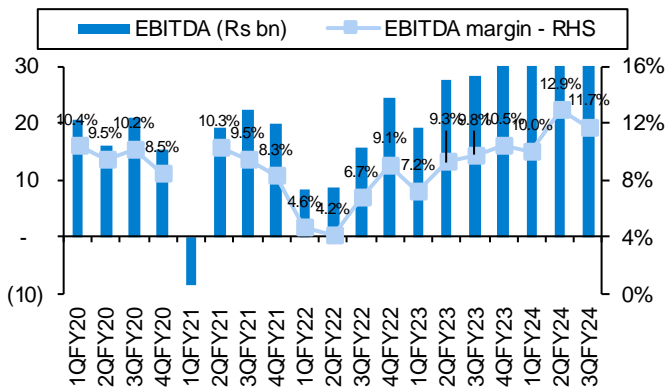
Source: Company, PL

Exhibit 4: ASPs was flattish QoQ



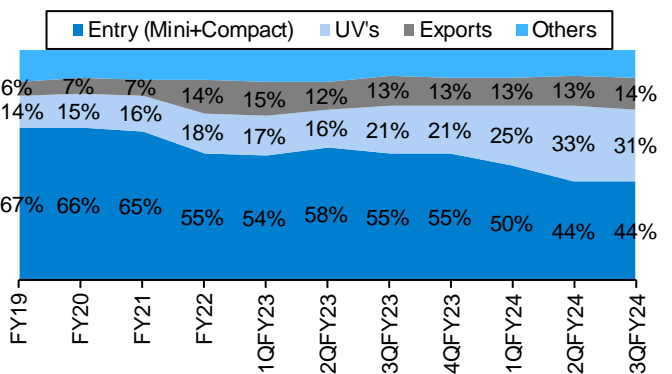
Source: Company, PL

Exhibit 5: Margin fell by ~120bps



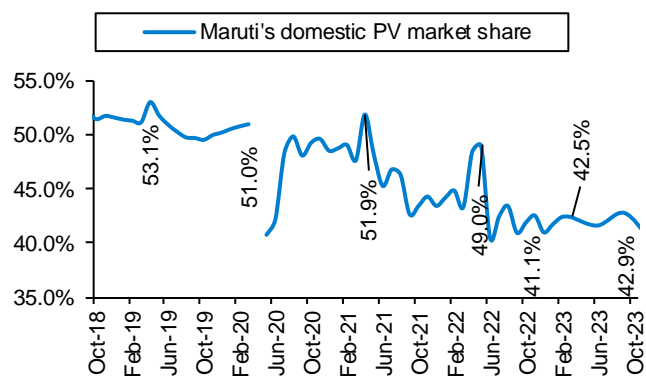
Source: Company, PL

Exhibit 6: UV mix stable QoQ



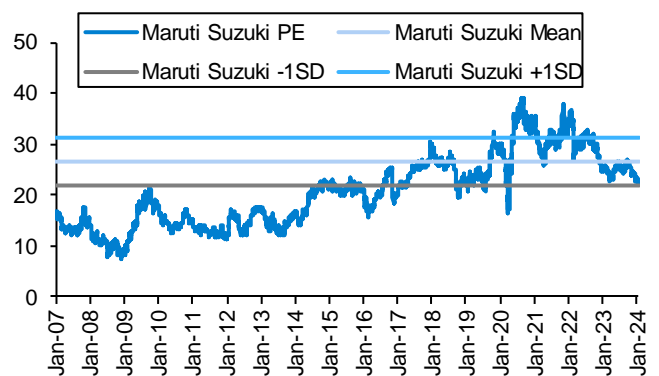
Source: Company, PL

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
Net Revenues	11,75,229	13,89,380	15,08,036	16,42,255
YoY gr. (%)	33.1	18.2	8.5	8.9
Cost of Goods Sold	8,61,062	9,90,872	10,69,463	11,65,387
Gross Profit	3,14,167	3,98,507	4,38,573	4,76,868
Margin (%)	26.7	28.7	29.1	29.0
Employee Cost	46,051	51,945	57,111	61,986
Other Expenses	1,58,039	1,83,398	1,89,258	2,01,997
EBITDA	1,10,077	1,63,165	1,92,204	2,12,885
YoY gr. (%)	93.1	48.2	17.8	10.8
Margin (%)	9.4	11.7	12.7	13.0
Depreciation and Amortization	28,233	30,674	42,207	45,007
EBIT	81,844	1,32,491	1,49,996	1,67,878
Margin (%)	7.0	9.5	9.9	10.2
Net Interest	1,866	1,773	1,897	2,030
Other Income	21,613	36,955	36,945	38,080
Profit Before Tax	1,01,591	1,67,673	1,85,045	2,03,928
Margin (%)	8.6	12.1	12.3	12.4
Total Tax	21,099	37,145	42,560	46,903
Effective tax rate (%)	20.8	22.2	23.0	23.0
Profit after tax	80,492	1,30,528	1,42,484	1,57,024
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	80,492	1,30,528	1,42,484	1,57,024
YoY gr. (%)	-	-	-	-
Margin (%)	6.8	9.4	9.4	9.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	80,492	1,30,528	1,42,484	1,57,024
YoY gr. (%)	113.7	62.2	9.2	10.2
Margin (%)	6.8	9.4	9.4	9.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	302	314	314	314
EPS (Rs)	266.5	415.3	453.3	499.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	4,14,553	5,82,964	6,22,964	6,62,964
Tangibles	4,14,553	5,82,964	6,22,964	6,62,964
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,36,504	2,67,178	3,09,385	3,54,393
Tangibles	2,36,504	2,67,178	3,09,385	3,54,393
Intangibles	-	-	-	-
Net fixed assets	1,78,049	3,15,786	3,13,579	3,08,571
Tangibles	1,78,049	3,15,786	3,13,579	3,08,571
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	-	-	-	-
Current Assets				
Investments	4,65,402	5,25,402	5,85,402	6,45,402
Inventories	42,838	53,291	57,842	62,991
Trade receivables	32,958	30,452	33,053	35,995
Cash & Bank Balance	377	76,805	1,29,218	1,94,068
Other Current Assets	44,882	44,882	44,882	44,882
Total Assets	8,28,376	11,14,211	12,35,590	13,67,871
Equity				
Equity Share Capital	1,510	1,572	1,572	1,572
Other Equity	6,02,310	8,23,469	9,21,948	10,28,681
Total Networkth	6,03,820	8,25,041	9,23,520	10,30,253
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	12,158	12,658	13,158	13,658
Trade payables	1,17,804	1,75,100	1,90,054	2,06,969
Other current liabilities	98,005	1,04,823	1,12,269	1,20,402
Total Equity & Liabilities	8,28,376	11,14,211	12,35,590	13,67,871

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,01,591	1,65,087	1,85,045	2,03,928
Add. Depreciation	28,233	30,674	42,207	45,007
Add. Interest	1,866	1,773	1,897	2,030
Less Financial Other Income	21,613	36,955	36,945	38,080
Add. Other	(21,613)	(36,955)	(36,945)	(38,080)
Op. profit before WC changes	1,10,077	1,60,579	1,92,204	2,12,885
Net Changes-WC	10,583	53,893	12,747	14,207
Direct tax	(22,483)	(37,145)	(42,560)	(46,903)
Net cash from Op. activities	98,177	1,77,327	1,62,390	1,80,188
Capital expenditures	(68,785)	(1,69,860)	(41,521)	(41,597)
Interest / Dividend Income	-	-	-	-
Others	21,613	36,955	36,945	38,080
Net Cash from Inv. activities	(47,172)	(1,32,905)	(4,576)	(3,517)
Issue of share cap. / premium	9,655	1,30,997	-	-
Debt changes	8,339	500	500	500
Dividend paid	(27,187)	(37,719)	(44,005)	(50,292)
Interest paid	(1,866)	(1,773)	(1,897)	(2,030)
Others	-	-	-	-
Net cash from Fin. activities	(11,059)	92,006	(45,402)	(51,821)
Net change in cash	39,946	1,36,428	1,12,413	1,24,850
Free Cash Flow	29,392	7,468	1,20,869	1,38,591

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	3,20,480	3,23,269	3,70,621	3,33,087
YoY gr. (%)	19.9	22.0	23.8	14.7
Raw Material Expenses	2,34,874	2,35,317	2,61,690	2,36,176
Gross Profit	85,606	87,952	1,08,931	96,911
Margin (%)	26.7	27.2	29.4	29.1
EBITDA	33,503	32,416	47,842	39,079
YoY gr. (%)	38.1	69.5	72.8	37.9
Margin (%)	10.5	10.0	12.9	11.7
Depreciation / Depletion	7,392	7,475	7,941	7,517
EBIT	26,111	24,941	39,901	31,562
Margin (%)	8.1	7.7	10.8	9.5
Net Interest	991	465	351	354
Other Income	7,428	10,012	8,436	9,330
Profit before Tax	32,549	34,489	47,987	40,539
Margin (%)	10.2	10.7	12.9	12.2
Total Tax	6,312	7,051	10,821	9,238
Effective tax rate (%)	19.4	20.4	22.5	22.8
Profit after Tax	26,237	27,438	37,166	31,301
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	26,236	27,437	37,165	31,300
YoY gr. (%)	42.7	170.9	80.3	33.1
Margin (%)	8.2	8.5	10.0	9.4
Extra Ord. Income / (Exp)	1	1	1	1
Reported PAT	26,237	27,438	37,166	31,301
YoY gr. (%)	42.7	170.9	80.3	33.1
Margin (%)	8.2	8.5	10.0	9.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26,237	27,438	37,166	31,301
Avg. Shares O/s (m)	314	314	314	314
EPS (Rs)	83.5	87.3	118.2	99.6

Source: Company Data, PL Research

Key Financial Metrics

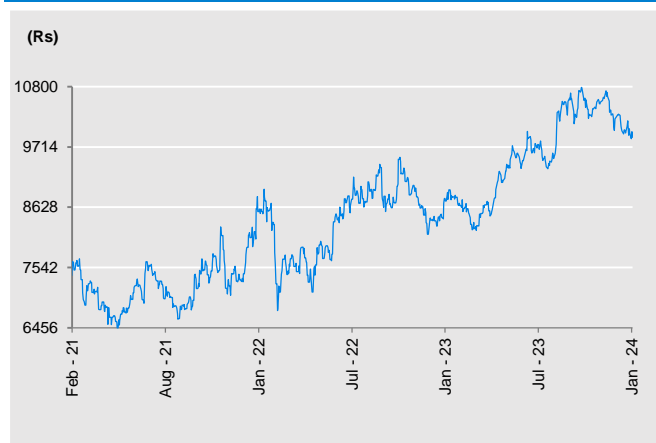
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	266.5	415.3	453.3	499.6
CEPS	360.0	512.9	587.6	642.8
BVPS	1,999.4	2,624.8	2,938.1	3,277.7
FCF	97.3	23.8	384.5	440.9
DPS	90.0	120.0	140.0	160.0
Return Ratio(%)				
RoCE	14.1	18.2	16.9	17.0
ROIC	56.6	82.8	66.9	85.7
RoE	14.1	18.3	16.3	16.1
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.7)	(0.8)	(0.8)
Net Working Capital (Days)	(29)	(38)	(39)	(39)
Valuation(x)				
PER	38.2	24.5	22.5	20.4
P/B	5.1	3.9	3.5	3.1
P/CEPS	28.3	19.9	17.3	15.8
EV/EBITDA	23.8	16.0	13.0	11.2
EV/Sales	2.2	1.9	1.7	1.4
Dividend Yield (%)	0.9	1.2	1.4	1.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Volume (units)	19,66,164	20,87,253	22,07,114	23,54,069
Net realisation (Rs/unit)	5,97,727	6,65,650	6,83,261	6,97,624

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	BUY	12,100	10,000
2	28-Oct-23	BUY	12,485	10,561
3	09-Oct-23	BUY	11,500	10,302
4	31-Jul-23	BUY	11,100	9,821
5	07-Jul-23	BUY	11,100	9,859
6	26-Apr-23	BUY	10,300	8,507
7	12-Apr-23	BUY	10,600	8,660

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	210	179
2	Bajaj Auto	Reduce	6,080	7,213
3	Bharat Forge	Accumulate	1,320	1,266
4	CEAT	Accumulate	2,980	2,830
5	Divgi Torqtransfer Systems	BUY	1,300	994
6	Eicher Motors	Hold	3,870	3,877
7	Endurance Technologies	Hold	1,975	2,095
8	Exide Industries	Accumulate	340	315
9	Hero Motocorp	Accumulate	4,800	4,444
10	Mahindra & Mahindra	BUY	1,830	1,642
11	Maruti Suzuki	BUY	12,100	10,000
12	Tata Motors	BUY	900	791
13	TVS Motor Company	Hold	1,955	2,009

PL's Recommendation Nomenclature (Absolute Performance)

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



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