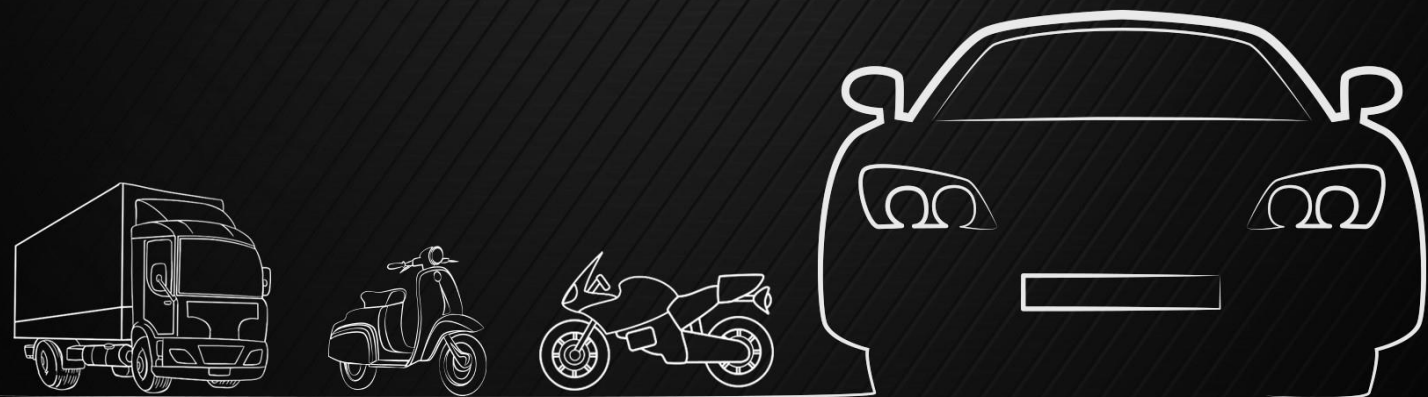




Maruti Suzuki India Ltd.



Maruti Suzuki India Ltd.

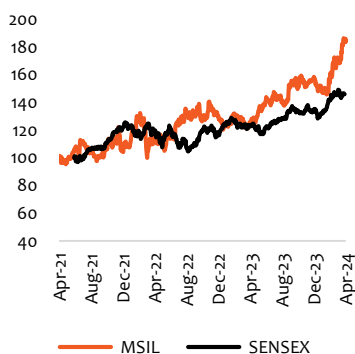
Multiple levers for volume growth

CMP INR 12,865	Target INR 14,975	Potential Upside 16.4%	Market Cap (INR Mn) 40,35,373	Recommendation BUY	Sector Automobile
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MARKET DATA

Shares O/S (Mn)	314
Mkt Cap (INR Mn)	40,35,373
52 Wk H/L (INR)	12,928/ 8,377
Volume Avg (3m K)	553
Face Value (INR)	5
Bloomberg Code	MSIL : IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	74,742
NIFTY	22,666

Strong wholesale volumes in Q4FY24; product mix continues to be favourable

- MSIL's sales volumes for Q4FY24 were 6.0% higher than our estimates, driven by better sales in both domestic and export markets.
- The share of Utility Vehicles in MSIL's domestic PV sales has remained strong in Q4FY24 (37.9% of domestic PV volumes) and may see further increase in FY25E due to the higher demand for this segment and MSIL's strong product offerings. MSIL has gained market leadership in the SUV segment in FY24, owing to strong response for all its brands- Grand Vitara, Brezza, Jimny and Fronx.

Exports remain a key focus area for growth

- MSIL's export volumes grew by 9.2% YoY in FY24, reaching a milestone of 283,067 units. This performance was noteworthy in a year when other OEMs saw a decline in export volumes due to geopolitical issues and an unfavourable macroeconomic environment in export markets.
- MSIL aims to export ~300,000+ units in FY25E (~6.0%+ YoY) and ~800,000 units by 2030E. MSIL plans to achieve this by introducing more models in export markets, improving distribution, facilitating the availability of finance at dealerships, improving service infrastructure, and ensuring parts availability.
- Once launched in FY25E, MSIL's EV vehicle will also be available for exports.

Strong demand for CNG and hybrid powertrains to benefit MSIL

- Given the trend of transition to clean energy, but the slow uptake of EVs due to inadequate infrastructure, alternate fuel types such as CNG and hybrids are likely to see greater adoption in the medium term.
- CNG demand is rising due to rising petrol costs and CNG network expansion. In Q3FY24, CNG share was at an all-time high of 30.8% of MSIL's sales. MSIL expects this share to increase further as a few models have a much higher CNG penetration such as 57.0% for Ertiga, 50.0% for Wagon R and 44.0% for Dzire.

Revival in entry-level segment likely from FY26E

- For MSIL, the Compact car segment remains its largest volume contributor at 47.0% in FY24, even though the segment has been seeing volume decline. The Mini, Compact and Mid-size sales (55.7% combined volume share in FY24) are impacted as the prices of these vehicles went up significantly due to regulatory changes and a rise in input costs.
- As inflation cools down and the affordability factor for entry-level consumers improves, these segments may see a revival sometime in FY26E. MSIL, being the market leader in the entry-level segments will see a benefit in terms of improvement in sales volumes.

Valuation and view

MSIL is likely to see continued industry-beating volume growth in FY25E due to a strong order book, low inventory levels and continued demand for the SUV segment. MSIL's focus on exports and multiple powertrains such as CNG, hybrids, and flex-fuels will ensure the sustainability of topline growth. The market is likely to see a gradual recovery in sales of entry-level cars as the inflation levels moderate and the affordability of entry-level buyers improves. MSIL may see the benefit of this trend in FY26E, as it is the market leader in the entry-level cars segment. At the operating margin level, we expect steady performance over the next 2 years as the positives of better realization, cost reduction and some FX benefit will be offset by new capacities commercializing and revival of the entry-level car segment. MSIL's entry into the EV segment in CY24E with a premium offering for domestic and export markets is an event to look forward to. We revise our EPS estimates upwards for FY24E/ FY25E/ FY26E by 3.2%/ 1.6%/ 4.6%, respectively to factor in the higher-than-expected volumes in Q4FY24, continued growth in exports in the next 2 years, gradual revival in entry-level cars in FY26E, and 30bps increase in our EBITDA margin estimate for all 3 years. The EBITDA margin estimates are revised upwards to factor in the strong margins expected in Q4FY24E due to lower RM costs, lower discounts and operating leverage, and stability in margins thereafter. **We expect a Revenue/ EBITDA/ PAT CAGR of 13.9%/ 21.1%/ 26.4% respectively over FY24 to FY26E. The share is currently trading at 29.6x/ 27.0x/ 24.2x FY24E/ FY25E/ FY26E EPS. We apply a P/E multiple of 28.2x on FY26E EPS of INR 531 (earlier 24.4x on FY26E EPS of INR 507) to arrive at a target price of INR 14,975/ share (revised from INR 12,385/- earlier). The target price implies a potential upside of 16.4% from the CMP. Accordingly, we maintain our "BUY" rating on the shares of Maruti Suzuki India Ltd.**

SHARE HOLDING PATTERN (%)

Particulars	Dec-23	Sep-23	Jun-23
Promoters	58.2	56.5	56.5
FIIIs	20.6	21.8	21.9
DIIIs	17.8	18.3	18.2
Others	3.4	3.4	3.4
Total	100.0	100.0	100.0

13.9%

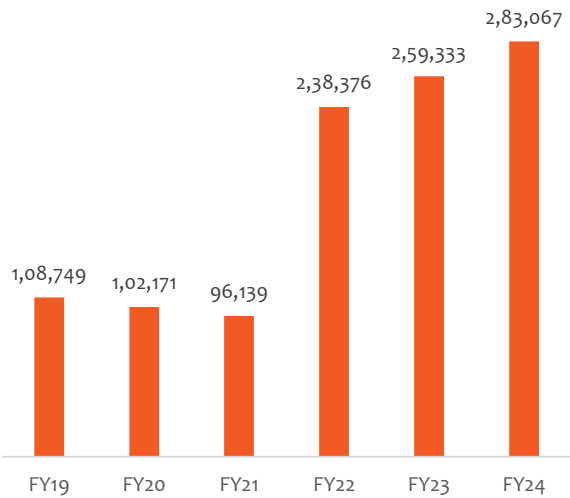
Revenue CAGR between FY23 and FY26E

26.4%

PAT CAGR between FY23 and FY26E

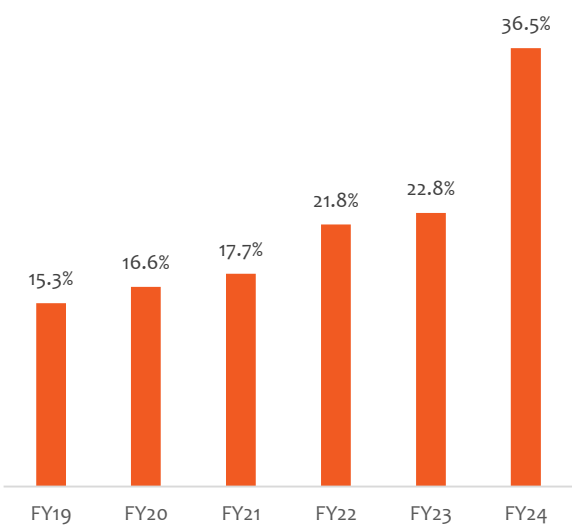
Maruti Suzuki India Ltd.

MSIL's export sales (in units) are growing strongly



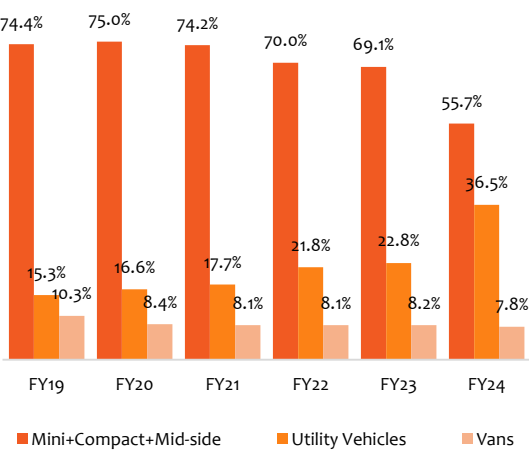
Source: Company, KRChoksey Research

Share of Utility vehicles as % of MSIL's domestic PV sales has inched up



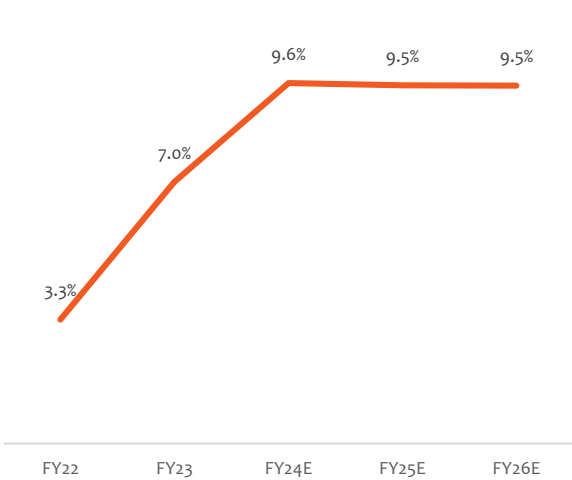
Source: Company, KRChoksey Research

Share of Entry-level (Mini+Compact+Mid-size) has declined, may see improvement in FY26E



Source: Company, KRChoksey Research

EBIT Margin likely to stabilize going ahead



Source: Company, KRChoksey Research

Maruti Suzuki India Ltd.

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23*	FY24E	FY25E	FY26E
Revenue from operations	883,298	1,184,099	1,424,378	1,571,375	1,750,536
Total Expenditure	855,392	1,104,138	1,289,325	1,423,079	1,585,340
Cost of material consumed	397,396	733,522	795,333	867,399	966,296
Purchases of stock in trade	263,975	127,147	209,185	223,847	249,369
Change in inventories	-931	-5,805	-7,612	867	966
Employee benefits expense	40,514	53,085	63,318	75,119	83,677
Other expenses	125,282	145,206	174,286	195,616	217,909
EBITDA	57,062	130,944	189,868	208,526	232,318
D&A	27,890	48,460	53,257	58,696	65,587
Operating profit	29,172	82,484	136,610	149,830	166,731
Interest expense	1,266	2,523	1,558	1,535	1,535
Other income	17,447	22,647	38,863	42,427	47,264
Share of profit of JV/associates	1,619	1,774	2,429	2,663	2,967
Pretax Income	46,972	104,382	176,344	193,386	215,428
Income tax expense	8,177	21,745	39,774	43,512	48,471
Net profit	38,795	82,637	136,570	149,874	166,957
Diluted EPS (INR)	128.4	262.8	434.4	476.7	531.0
No. of Shares outstanding (Mn)	302	314	314	314	314

*FY23 Consolidated P&L statement was restated in Q3FY24, post the integration of SMG as a fully-owned subsidiary. As a result, EBITDA FY23 onwards is not comparable to the earlier years. However, there is minimal impact at the EBIT and PAT levels.

Source: Company, KRChoksey Research

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Cash Generated From Operations	18,405	92,514	187,066	209,051	233,803
Net Cash Flow from/(used in) Investing Activities	-2,392	-80,361	-130,000	-112,855	-120,021
Net Cash Flow from Financing Activities	-16,070	-12,131	-27,363	-36,599	-36,296
Net Inc/Dec in cash equivalents	-57	22	29,703	59,596	77,486
Opening Balance Cash and Cash Equivalents	408	351	373	30,076	89,673
Closing Cash and Cash equivalents	351	373	30,076	89,673	167,159
Other bank balances	30,071	43	43	43	43
Total cash and bank balances	30,422	416	30,119	89,716	167,202

Source: Company, KRChoksey Research

Key Ratio	FY22	FY23	FY24E	FY25E	FY26E
EBITDA Margin (%)	6.5%	11.1%	13.3%	13.3%	13.3%
Tax rate (%)	17.4%	20.8%	22.6%	22.5%	22.5%
Net Profit Margin (%)	4.4%	7.0%	9.6%	9.5%	9.5%
RoE (%)	7.2%	14.1%	20.3%	19.2%	18.5%
RoCE (%)	5.2%	13.1%	18.5%	17.6%	17.0%
EPS (INR)	128.4	262.8	434.4	476.7	531.0
PE	100.2x	48.9x	29.6x	27.0x	24.2x

Source: Company, KRChoksey Research

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Maruti Suzuki India Ltd.

Balance Sheet (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Cash and equivalents	30,422	416	30,119	89,716	167,202
Inventories	35,323	42,835	54,625	59,842	66,665
Investments	41,001	0	0	0	0
Trade receivables	20,345	33,014	39,024	43,051	47,960
Loans	305	297	297	297	297
Other financial assets	25,930	21,934	21,934	21,934	21,934
Other current assets	14,608	17,660	21,244	23,436	26,108
Total current assets	167,934	116,156	167,243	238,276	330,165
Property, plant and equipment	128,261	166,921	193,664	197,823	202,257
Capital WIP	26,462	28,152	28,152	28,152	28,152
Intangible assets	6,402	6,368	6,368	6,368	6,368
ROU assets	5,712	5,904	5,904	5,904	5,904
Investments	379,346	491,843	541,843	591,843	641,843
Loans	2	2	2	2	2
Other financial assets	375	595	595	595	595
Other non current assets	32,061	30,028	30,028	30,028	30,028
Total non-current assets	578,621	729,813	806,556	860,715	915,149
Total Assets	746,555	845,969	973,799	1,098,991	1,245,315
Borrowings	3,819	12,158	12,158	12,158	12,158
Trade payables	97,652	117,855	137,437	150,563	167,730
Other financial liabilities	20,272	18,537	18,537	18,537	18,537
Provisions	8,613	9,624	9,624	9,624	9,624
Current tax liability	11,113	11,584	11,584	11,584	11,584
Other current liabilities	28,766	31,315	31,315	31,315	31,315
Total current liabilities	170,235	201,073	220,655	233,781	250,948
Provisions	844	884	796	716	644
Other non-current liabilities	22,141	26,099	26,099	26,099	26,099
Total liabilities	193,220	228,056	247,550	260,596	277,691
Equity share capital	1,510	1,510	1,572	1,572	1,572
Other equity	551,825	616,403	724,677	836,823	966,051
Total equity	553,335	617,913	726,249	838,395	967,623
Total liabilities and equity	746,555	845,969	973,799	1,098,991	1,245,315

Source: Company, KRChoksey Research

Maruti Suzuki India Ltd.

Maruti Suzuki India Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
08-Apr-24	12,865	14,975	BUY
05-Feb-24	10,429	12,385	BUY
02-Nov-23	10,304	12,385	BUY
07-Aug-23	9,525	11,170	BUY
29-Apr-23	8,590	10,617	BUY
25-Jan-23	8,770	11,158	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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