

Q1FY24 Reports Mixed Results; Higher ASPs to Drive Profitability
Est. Vs. Actual for Q1FY24: Revenue – **SLIGHT BEAT**; EBITDA Margin – **MISS**; PAT – **BEAT**
Change in Estimates post Q1FY24: FY24E/FY25E: Revenue 0%/1%; EBITDA 2%/1%; PAT 8%/4%

Recommendation Rationale

- **Richer Product Mix:** Higher share of SUVs in the sales mix with demand for the newer models and improved export sales to keep the ASPs strong. At the end of Q1FY24, UV formed ~25% of the total mix (against 17% in Q1FY23 and ~17% in Q4FY23). Maruti's domestic market share in SUVs is ~23% in Q1FY24 against ~17% in Q1FY23 and ~20% in Q4FY23. In Q1FY24, the total orderbook stood at ~3.55 Lc (~4.12 Lc in Q4FY23) vehicles out of which Brezza is ~48k, Grand Vitara is 27k, Jimny is 23k, Invicto is 8k, Ertiga is 93k units.
- **Improved EBITDA Margins:** Softening commodities (metals), new launches in the SUV space, and upgradation of the existing portfolio will drive higher margins going forward. The management informed that Q1FY24 witnessed a non-repetitive employee retention and retirement cost which had a 80bps impact.
- **SMG Acquisition:** The BoD has decided to bring all powertrain technologies like EVs, Hybrids, CNG, Ethanol, ICE etc. under MSIL and to terminate the contract manufacturing agreement; thereby exercising the option to acquire the shares of Suzuki Motor Gujarat Pvt Ltd (SMG) from Suzuki Motor Corporation (SMC). This shall lead to efficiency in production and supply chain. The book value of SMG as on Mar'23 is Rs 12,400 Cr.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: Demand momentum is expected to continue with absolute volumes growing in future quarters (but growth rates to moderate on a high base). The SUV segment is to grow at a higher pace than the entry-level cars. Chip shortage bottleneck to persist in Q2FY24 and the overall chip supply situation is still uncertain.

Current Valuation: 27x P/E on Jun' 25E EPS (roll forward from FY25E EPS)

Current TP: Rs 10,800/share (Earlier TP: Rs 10,790/share)

Recommendation: Strong order book, focus on SUVs, and expected increase in sales realisation to drive growth. We **maintain** our **BUY** rating on the stock.

Financial Performance: Maruti reported a mixed set of numbers for Q1FY24. Revenue (slight beat) grew by 22% YoY led by higher sales volumes (up 6% YoY) and higher ASP (up 15% YoY) on the back of a richer product mix SUV (~25% of total sales mix in Q1FY24 vs 17% in Q1FY23). On a sequential basis, revenue grew 1%, led by higher ASP (up ~3.5% QoQ) and was only partly offset by lower sales volume (down 3%). EBITDA (missed estimates) grew by 56% YoY but declined 11% QoQ due to a richer product mix, favourable forex impact offset by retention/retiral benefits to employees and higher other expenses. GMs were up 180bps/50bps YoY/QoQ and beat our estimate by 30bps. However, higher other expenses and employee costs led to a lower EBITDA margin at 9.2% vs. our estimate of 9.9% (7.2%/10.5% in Q1FY22/Q4FY23). PAT (up 145% YoY but down 5% QoQ) beat our estimate by ~10% due to higher other income and lower interest expense.

Outlook: MSIL has completely refreshed its portfolio with the recent addition of Invicto (the only vehicle with Rs 20 Lc plus price point) to Jimny and Fronx launched earlier in Q4FY23. The higher share of premium MPV/SUVs in the sales mix will drive the Revenue/EBITDA/PAT growth in FY23-26E.

Valuation & Recommendation: Strong order book, higher share of premium SUVs, and CNG vehicles in the sales mix to improve the company's ASP in FY24/25. Furthermore, improved chip supplies and stable commodity prices to drive Revenue/EBITDA/PAT CAGR of 14%/16%/16% from FY23-26E. **We maintain our BUY rating on the stock** and value it at 27xP/E of its Jun'25E EPS (roll forward from FY25E EPS).

Key Financials (Standalone)

(Rs Cr)	Q1FY23	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	30,845	0%	22%	30,142	2%
EBITDA	2,983	-11%	56%	3,102	-4%
EBITDA Margin	9.2%	-123 bps	201 bps	9.9%	-67 bps
Adj Net Profit	2,485	-5%	145%	2,276	9%
Adj EPS (Rs)	82.3	-5%	145%	75.4	9%

Source: Company, Axis Research

(CMP as of 31st Jul 2023)

CMP (Rs)	9,819
Upside /Downside (%)	10%
High/Low (Rs)	10,036/8,076
Market cap (Cr)	2,96,629
Avg. daily vol. (6m)Shrs.	4,38,695
No. of shares (Cr)	30

Shareholding (%)

	Dec-22	Mar-23	Jun-23
Promoter	56.4	56.5	56.5
FII's	21.5	21.1	21.9
MFs / UTI	11.6	11.7	11.3
FIs / Banks	0.0	0.1	0.0
Others	10.5	10.7	10.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY23	FY24E	FY25E
Net Sales	1,17,523	1,39,288	1,56,111
EBITDA	10,864	13,981	15,836
Net Profit	8,049	10,755	11,770
EPS (Rs.)	266.5	356.0	389.6
PER (x)	31.1	27.6	25.2
EV/ EBITDA (x)	22.1	17.1	15.0
P/BV (x)	4.1	4.3	3.8
ROE (%)	13.7%	16.4%	15.9%

Change in Estimates (%)

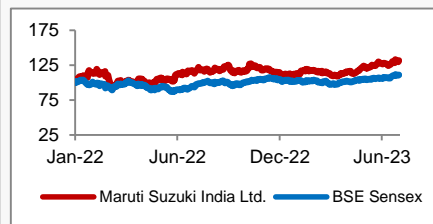
Y/E Mar	FY23E	FY24E	FY25E
Sales	0.0%	-0.1%	-1.3%
EBITDA	0.0%	1.7%	0.9%
PAT	0.0%	8.1%	3.9%

ESG disclosure Score**

Environmental Disclosure	69.44
Social Disclosure Score	39.57
Governance Disclosure	84.86
Total ESG Disclosure Score	64.65
Sector Avg	46.43

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance


Source: ACE Equity, Axis Securities

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Key Concall Highlights

- **Semiconductor shortage:** Semiconductor content in cars has gone up due to better technology, premium features, infotainment and higher functionality. The company witnessed a production loss of ~28k units (in higher segment vehicles) in Q1FY24; the supply bottlenecks are expected to improve in H2FY24.
- **RM input prices are a mixed bag:** RM basket is a mixed bag with precious metal prices having declined but steel prices which form 50% of the commodity basket inched marginally up in Q1FY24. The management expects stability in raw material prices going forward in FY24.
- **Recovery in CNG sales:** The company now has 15 models with factory-fitted CNG. Maruti has sold ~1.13 Lc CNG cars in the quarter and plans to grow this number as the government has rationalised CNG prices.
- **Discounts, Royalty and Exports:** Discounts in Q1FY24 stood ~Rs 16.2k higher than Q1FY23 at ~Rs 12.7k and ~Rs 13.2k in Q4FY23 per vehicle. The royalty for Q1FY24 was around 3.8% of sales. Exports revenue in Q1FY24 was ~Rs 3.7k Cr (Q4FY23 was ~Rs 3.9k Cr).
- **Capacity expansion:** The company has earmarked a capex of ~Rs 8,000 Cr for FY24, the majority of which will be spent towards the capacity expansion at the Kharkhoda plant (250k units), new models and annual maintenance. The company is also looking to add 1Lc unit capacity at Manesar by FY25. To meet the market demand MSIL board has approved adding 1mn units capacity in addition to the existing capacity of 2.25 Mn in the long term.

Key Risks to our Estimates and TP

- Multiple launches from competitors will make the UV space more cluttered and competitive in future.
- Commodity prices rising from the current level and unfavourable forex impact of Yen appreciation, which would impact the company's gross margins negatively.
- Lower than estimated demand scenario to hamper the off-take of vehicles, impacting our sales volumes growth forecasts.

Change in Estimates

	Revised			Old			% Change		
	FY23A	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Sales	1,17,523	1,39,288	1,56,111	1,17,523	1,39,474	1,58,203	0.0%	-0.1%	-1.3%
EBITDA	10,864	13,981	15,836	10,864	13,751	15,691	0.0%	1.7%	0.9%
PAT	8,049	10,755	11,770	8,049	9,951	11,330	0.0%	8.1%	3.9%
EPS	266.5	356.0	389.6	266.5	329.4	375.1	0.0%	8.1%	3.9%
Total Sales Volume	19,66,164	21,42,421	23,08,865	19,66,164	21,87,082	23,62,628	0.0%	-2.0%	-2.3%

Source: Company, Axis Securities

Q1FY24 Results Review

YE March (Rs Cr)	Q1FY24	Axis Sec Estimates	Axis Sec Var (%)	Q4FY23	QoQ (%)	Q1FY23	YoY (%)	Cons	vs Cons
Mini	40,400	40,400	0.0%	58,903	-31.4%	48,987	-17.5%		
Compact	2,10,825	2,10,825	0.0%	2,25,570	-6.5%	2,04,877	2.9%		
Mid-Size	3,753	3,753	0.0%	2,092	79.4%	2,672	40.5%		
Passenger Cars	2,54,978	2,54,978	0.0%	2,86,565	-11.0%	2,56,536	-0.6%		
UV	1,26,401	1,26,401	0.0%	1,05,957	19.3%	80,852	56.3%		
Vans	32,676	32,676	0.0%	35,056	-6.8%	31,766	2.9%		
Total Domestic PV sales	4,14,055	4,14,055	0.0%	4,27,578	-3.2%	3,69,154	12.2%		
Total LCV (Super Carry)	8,079	8,079	0.0%	11,399	-29.1%	10,817	-25.3%		
Sales to other OEM	12,678	12,678	0.0%	11,231	12.9%	18,523	-31.6%		
Total Domestic Sales	4,34,812	4,34,812	0.0%	4,50,208	-3.4%	3,98,494	9.1%		
Exports	63,218	63,218	0.0%	64,719	-2.3%	69,437	-9.0%		
Total Sales (units)	4,98,030	4,98,030	0.0%	5,14,927	-3.3%	4,67,931	6.4%		
Net Sales	30,845	30,142	2.3%	30,822	0.1%	25,286	22.0%	31,733	1.9%
Other Operating Income	1,482	1,199	23.6%	1,226	20.8%	1,214	22.1%		
Total Revenue	32,327	31,342	3.1%	32,048	0.9%	26,500	22.0%		
Less:									
Net Raw Material consumed	23,532	22,897	2.8%	23,487	0.2%	19,770	19.0%		
Other Exp.	4,351	4,137	5.2%	4,097	6.2%	3,659	18.9%		
Personnel	1,461	1,205	21.3%	1,113	31.3%	1,158	26.1%		
Total Expenditure	29,344	28,239	3.9%	28,698	2.3%	24,588	19.3%		
EBITDA	2,983	3,102	-3.8%	3,350	-11.0%	1,912	56.0%	3,246	-8.1%
Less: Depreciation	748	766	-2.4%	739	1.1%	651	14.8%		
EBIT	2,236	2,337	-4.3%	2,611	-14.4%	1,261	77.3%		
Less: Interest	47	81	-42.6%	99	-53.1%	27	69.7%		
Add: Other income	1,001	626	60.0%	743	34.8%	89	1031.3%		
Profit Before Extra-ordinary items and Tax	3,190	2,881	10.7%	3,255	-2.0%	1,322	141.4%		
Extra Ord. Expenses/ (Income)	0	0	NA	0	NA	0	NA		
Profit Before Tax	3,190	2,881	10.7%	3,255	-2.0%	1,322	141.4%		
Less: Total Tax	705	605	16.5%	631	11.7%	309	128.2%		
Profit After Tax	2,485	2,276	9.2%	2,624	-5.3%	1,013	145.4%		
Adj. PAT	2,485	2,276	9.2%	2,624	-5.3%	1,013	145.4%	2,463	0.9%
Shares Outstanding (Cr)	30	30	0.0%	30	0.0%	30	0.0%		
Reported EPS (Rs.)	82.3	75.4	9.2%	86.9	-5.3%	33.5	145.4%		
Adj. EPS (Rs.)	82.3	75.4	9.2%	86.9	-5.3%	33.5	145.4%		
Margin Analysis (%)									
Net Realization (Rs/unit) ASP	6,19,344	6,05,231	2.3%	5,98,566	3.5%	5,40,385	14.6%		
Gross Margin	27%	27%	26	27%	50	25%	181		
EBITDA Margin	9.2%	9.9%	-67	10.5%	-123	7.2%	201		
EBIT Margin	6.9%	7.5%	-54	8.1%	-123	4.8%	216		
Adj. NPM	7.7%	7.3%	42	8.2%	-50	3.8%	387		
Effective Tax Rate	22.1%	21.0%	110	19.4%	271	23.4%	-128		
Cost Analysis									
RM Cost/Net Sales	72.8	73.1	(26)	73.3	-50	74.6	-181		
Other Expenses./Net Sales	13.5	13.2	26	12.8	68	13.8	-35		
Personnel/Net Sales	4.5	3.8	68	3.5	105	4.4	15		

Source: Company, Axis Securities, Bloomberg Consensus

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Crs)	FY23	FY24E	FY25E	FY26E
Net revenues	1,17,523	1,39,288	1,56,111	1,72,876
Operating expenses	1,06,659	1,25,307	1,40,275	1,55,887
EBITDA	10,864	13,981	15,836	16,989
EBITDA margin (%)	9.24%	10.04%	10.14%	9.83%
Other income	2,305	3,194	3,158	3,493
Interest	187	189	200	225
Depreciation	2,823	3,329	3,896	4,377
Profit Before Tax	10,159	13,658	14,898	15,881
Tax	2,110	2,903	3,129	3,335
Reported Net Profit	8,049	10,755	11,770	12,546
Net Margin (%)	6.85%	7.72%	7.54%	7.26%
Adjusted Net Profit	8,049	10,755	11,770	12,546

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March (Rs Crs)	FY23P	FY24E	FY25E	FY26E
Equity capital	151	151	151	151
Reserves & surplus	60,231	68,078	76,940	86,577
Shareholders' funds	60,382	68,229	77,091	86,728
Total Loans	1,247	1,247	1,247	1,247
Deferred tax liability	-	-	-	-
Total Liabilities and Equity	61,629	69,476	78,338	87,976
Gross block	38,496	47,964	53,243	60,436
Depreciation	20,691	24,020	27,916	32,293
Net block	17,805	23,944	25,327	28,143
Capital WIP	2,897	1,429	3,150	3,308
Investments	47,756	47,856	47,906	47,956
Inventory	4,284	5,150	6,918	7,688
Debtors	3,296	3,434	5,132	5,684
Cash & Bank Bal	38	1,231	2,894	5,296
Loans & Advances	7,103	10,122	10,963	15,259
Current Assets	14,720	19,937	25,908	33,927
Sundry Creditors	11,780	12,468	12,730	14,135
Other Current Liability	9,769	11,223	11,223	11,223
Current Liability & Provisions	21,549	23,691	23,953	25,357
Net current assets	(6,829)	(3,754)	1,955	8,569
Total Assets	61,629	69,476	78,338	87,976

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March (Rs Crs)	FY23P	FY24E	FY25E	FY26E
EBIT	8,041	10,652	11,940	12,612
Other Income	2,305	3,194	3,158	3,493
Depreciation & Amortization	2,823	3,329	3,896	4,377
Interest paid(-)	(187)	(189)	(200)	(225)
Tax paid(-)	(2,110)	(2,903)	(3,129)	(3,335)
Extra Ord Income	-	-	-	-
Operating Cash Flow	10,873	14,083	15,666	16,922
Change in Working Capital	925	(1,882)	(4,045)	(4,212)
Cash flow from Operations	11,798	12,201	11,621	12,710
Capex	(6,879)	(8,000)	(7,000)	(7,350)
Strategic Investment	-	-	-	-
Non-Strategic Investment	(6,993)	(100)	(50)	(50)
Cash flow from Investing	(13,872)	(8,100)	(7,050)	(7,400)
Change in borrowing	828	-	-	-
Others	1,457	-	-	-
Dividends Paid (-)	(3,210)	(2,908)	(2,908)	(2,908)
Cash flow from Financial Activities	(925)	(2,908)	(2,908)	(2,908)
Change in Cash	(2,999)	1,193	1,663	2,402
Opening cash	3,036	38	1,231	2,894
Closing cash	38	1,231	2,894	5,296

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E Mar	FY22	FY23	FY24E	FY25E
Revenue Growth	33.1	18.5	12.1	10.7
EBITDA Margin	9.2	10.0	10.1	9.8
Net Profit Margin	6.8	7.7	7.5	7.3
ROCE (%)	13.7	16.3	15.8	15.0
ROE (%)	13.7	16.4	15.9	15.0
EPS (Rs.)	266.5	356.0	389.6	415.3
PER (x)	31.1	27.6	25.2	23.6
P/BV (x)	4.1	4.3	3.8	3.4
EV/ EBITDA (x)	23.2	21.2	18.6	17.2
Fixed Assets Turnover Ratio (x)	5.7	5.5	5.5	5.5
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.1	2.1	1.9	1.7

Source: Company, Axis Securities

Maruti Suzuki Price Chart and Recommendation History



Source: Axis Securities

Date	Reco	TP	Research
04-Apr-22	BUY	9,800	Top Picks
29-Apr-22	BUY	9,800	Result Update
02-May-22	BUY	9,800	Top Picks
01-Jun-22	BUY	9,800	Top Picks
01-Jul-22	BUY	9,800	Top Picks
27-Jul-22	BUY	9,900	Result Update
01-Sep-22	BUY	10,270	Top Picks
01-Oct-22	BUY	10,270	Top Picks
28-Oct-22	BUY	10,600	Result Update
01-Nov-22	BUY	10,600	Top Picks
01-Dec-22	BUY	10,600	Top Picks
01-Jan-23	BUY	10,600	Top Picks
25-Jan-23	BUY	9,750	Result Update
01-Feb-23	BUY	9,760	Top Picks
01-Mar-23	BUY	9,760	Top Picks
01-Apr-23	BUY	9,760	Top Picks
27-Apr-23	BUY	9,400	Result Update
02-May-23	BUY	9,400	Result Update
01-Jun-23	BUY	10,500	Top Picks
01-Jul-23	BUY	10,790	Top Picks
01-Aug-23	BUY	10,800	Result Update

About the analyst

1. **Research Analyst: Aditya Welekar** is a PGDBM in Finance with 12 years of experience in Equity Market/Research.

2. **Research Associate: Shridhar Kallani** is a Chartered Accountant and a graduate from St. Xavier's College Kolkata.

Sector: Automobiles

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