

July 31, 2023

Q1FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	11,100		11,100	
Sales (Rs. m)	13,97,590	15,41,605	13,98,374	15,42,460
% Chng.	(0.1)	(0.1)		
EBITDA (Rs. m)	1,49,964	1,84,926	1,52,174	1,85,059
% Chng.	(1.5)	(0.1)		
EPS (Rs.)	365.3	444.0	362.6	444.0
% Chng.	0.7	-		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. bn)	883	1,175	1,398	1,542
EBITDA (Rs. bn)	57	110	150	185
Margin (%)	6.5	9.4	10.7	12.0
PAT (Rs. bn)	38	80	110	134
EPS (Rs.)	124.7	266.5	365.3	444.0
Gr. (%)	(10.9)	113.7	37.1	21.6
DPS (Rs.)	60.0	90.0	105.0	120.0
Yield (%)	0.6	0.9	1.1	1.2
RoE (%)	7.1	14.1	17.2	18.4
RoCE (%)	5.5	14.1	18.0	20.4
EV/Sales (x)	2.9	2.1	1.7	1.5
EV/EBITDA (x)	44.6	22.8	15.9	12.4
PE (x)	78.7	36.8	26.9	22.1
P/BV (x)	5.5	4.9	4.4	3.8

Key Data

MRTI.BO | MSIL IN

52-W High / Low	Rs.10,037 / Rs.8,076
Sensex / Nifty	66,528 / 19,754
Market Cap	Rs.2,967bn/ \$ 36,067m
Shares Outstanding	302m
3M Avg. Daily Value	Rs.4347.09m

Shareholding Pattern (%)

Promoter's	56.48
Foreign	21.88
Domestic Institution	18.20
Public & Others	3.44
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.3	10.4	11.9
Relative	(2.4)	(1.2)	(3.1)

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Strong traction for new launches to continue

Quick Pointers:

- To acquire SMG at Rs. 127bn (book value) from SMC; by FY24 end.
- Demand environment remains stable; supply situation largely normalized.

Maruti Suzuki (MSIL)'s 1QFY24 revenues were marginally higher than our (c1%) and consensus estimates (c2%), however, higher employee costs and other other expenses led to a miss on EBITDA margins (10% vs BBGe: 10.2%; PLe: 10.5%) (which could not be offset by higher gross margin). EBITDA margins expanded by c280bp YoY, but was lower QoQ on lower volumes, higher employee and operating expenses. Chip shortage impacted 28k units and MSIL noted that situation is largely normalised now. Going ahead, MSIL hopes to outgrow PV industry's growth led by its SUV portfolio, increased traction from CNG models and servicing stronger orderbook. We expect MSIL to partially re-coup lost market share through faster growth than the industry in UV & MUV segment (for MSIL we build its UV & MUV mix to increase to ~30% in FY24 vs ~21% in FY23).

MSIL is well placed to strongly benefit from (1) market share gains and ASP increase coming from higer mix of the new UV portfolio, (2) c260bps increase (over FY23-25E) in EBITDA margins on the back of commodity cost softening, cost control, operating leverage and higher UV share and (3) rural revival. We marginally change our EPS estimates for FY24E by -1.5%, given largely in-line numbers and reiterate 'BUY' with an unchanged TP of Rs 11,100 at 25x Mar-25E EPS.

- Revenue grew by 22% YoY, helped by volume growth of 6.3%** and was in line with PLe and slightly higher than Bloomberg consensus estimates (BBGe). EBITDA margins at c10% missed PLe (10.5%) and BBGe (10.2%). Gross margin came higher than expected +50bps QoQ. Higher employee and other expenses led to a miss on EBITDA margins (after adjusting for 80bps one-off cost). Higher other income led to PAT beat.
- Key takeaway: (1)** MSIL noted stable demand environment and maintained its outlook of growing faster than the industry. However, noted that 2Q base is high which could moderate growth rate in 2QFY24. **(2)** MSIL has an order book of 355k units (vs 412k unit in 4QFY23), which it plans to service fast. **(3)** MSIL reached market share of c20% in SUV segment in Q1FY24, helped by strong demand for new launches. MSIL now plans to consolidate these new SUV models in domestic market and start exports. **(4)** MSIL lost 28k units production (~38k in 4Q) due to chip shortage, but the situation has largely normalized. **(5)** In 1QFY24, first time buyers were at 40% (vs 42%-43% previously). **(6)** MSIL has increased inventory to normal levels of 4 weeks (125k units). **(7)** CNG vehicles saw good traction with 113k units (27% mix) and MSIL launched 5 CNG options in Fronx (now offering 50 CNG models). **(8)** MSIL will acquire Suzuki Motor Gujarat (SMG) from Suzuki Motor Corporation (SMC) at book value (FY23 – Rs. 127bn) and terminate the contract manufacturing agreement; it aims to complete the transaction in FY24. MSIL would achieve efficiency and some economies of scale from the transaction. **(9)** MSIL has maintained its Rs.70Bn capex plan ex-SMG. SMG plant doesn't have land bank for further expansion.

Exhibit 1: 1QFY24 Result Overview (Rs mn)

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Revenues	3,23,269	2,64,998	22.0	3,20,480	0.9	13,97,590	11,75,229	18.9
Raw Materials	2,35,317	1,97,702	19.0	2,34,874	0.2	10,12,800	8,61,062	17.6
<i>% of Net Sales</i>	<i>72.8</i>	<i>74.6</i>		<i>73.3</i>		<i>72.5</i>	<i>73.3</i>	
Personnel	12,023	11,584	3.8	11,130	8.0	51,043	46,051	10.8
<i>% of Net Sales</i>	<i>3.7</i>	<i>4.4</i>		<i>3.5</i>		<i>3.7</i>	<i>3.9</i>	
Manufacturing & Other Exp	43,513	36,591	18.9	40,973	6.2	1,83,783	1,58,039	16.3
<i>% of Net Sales</i>	<i>13.5</i>	<i>13.8</i>		<i>12.8</i>		<i>13.2</i>	<i>13.4</i>	
Total Expenditure	2,90,853	2,45,877	18.3	2,86,977	1.4	12,47,626	10,65,152	17.1
EBITDA	32,416	19,121	69.5	33,503	(3.2)	1,49,964	1,10,077	36.2
<i>EBITDA Margin (%)</i>	<i>10.0</i>	<i>7.2</i>		<i>10.5</i>		<i>10.7</i>	<i>9.4</i>	
Depreciation	7,475	6,514	14.8	7,392	1.1	32,157	28,233	13.9
EBIT	24,941	12,607	97.8	26,111	(4.5)	1,17,807	81,844	43.9
Interest Expenses	465	274	69.7	991	(53.1)	1,997	1,866	7.0
Non-operating income	10,012	885	1,031.3	7,428	34.8	26,684	21,613	23.5
PBT	31,902	13,218	141.4	32,548	(2.0)	1,39,908	1,01,591	37.7
Tax-Total	7,051	3,090	128.2	6,312	11.7	32,179	21,099	52.5
<i>Tax Rate (%) - Total</i>	<i>22.1</i>	<i>23.4</i>		<i>19.4</i>		<i>23.0</i>	<i>20.8</i>	
Reported PAT	24,851	10,128	145.4	26,236	(5.3)	1,07,729	80,492	33.8
Adj. PAT	27,437	10,128	170.9	26,236	4.6	1,10,315	80,492	37.1
<i>PAT Margin</i>	<i>8.5</i>	<i>3.8</i>		<i>8.2</i>		<i>7.9</i>	<i>6.8</i>	

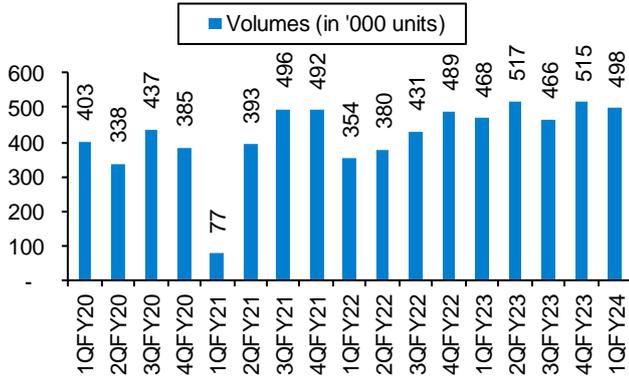
Source: Company, PL

Exhibit 2: Operating Metrics – Model mix helping realization QoQ

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Volume (nos)	4,98,030	4,67,931	6.4	5,14,927	(3.3)	21,82,173	19,66,164	11.0
Net Realisation/Vehicle	6,49,095	5,66,319	14.6	6,22,379	4.3	6,40,458	5,97,727	7.1
Material cost/vehicle	4,72,496	4,22,502	11.8	4,56,131	3.6	4,64,125	4,37,940	6.0
Gross Profit / vehicle	1,76,600	1,43,816	22.8	1,66,249	6.2	1,76,334	1,59,787	10.4
Employee cost /vehicle	24,141	24,756	(2.5)	21,615	11.7	23,391	23,422	(0.1)
Other expenses / vehicle	87,370	78,197	11.7	79,571	9.8	84,220	80,379	4.8
EBITDA/vehicle	65,089	40,863	59.3	65,064	0.0	68,722	55,986	22.7
Net Profit/vehicle	49,899	21,644	130.5	50,951	(2.1)	49,368	40,939	20.6

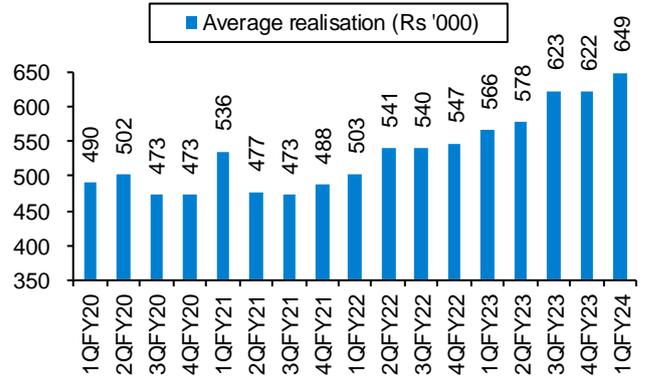
Source: Company, PL

Exhibit 3: Volumes for the quarter declined c3.3% QoQ



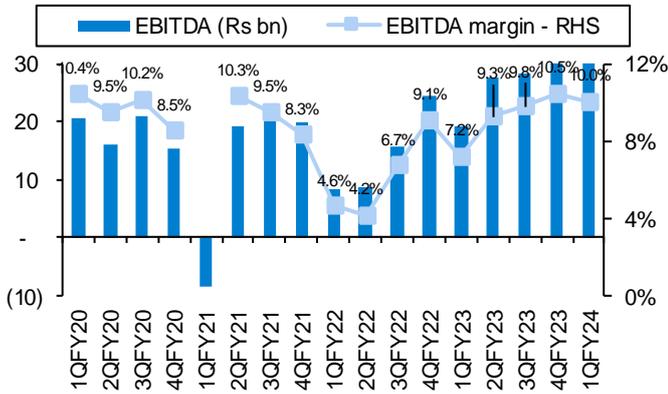
Source: Company, PL

Exhibit 4: ASPs grew 4.3% QoQ



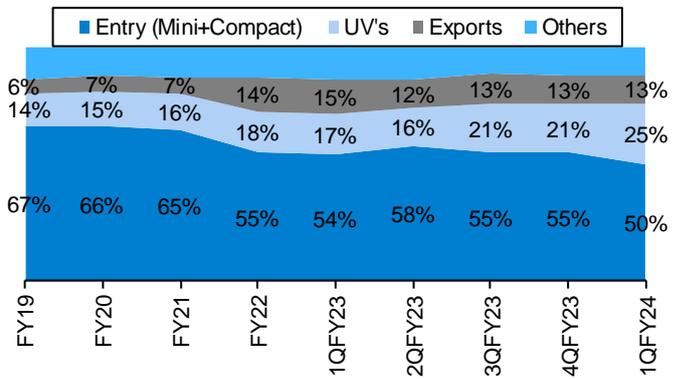
Source: Company, PL

Exhibit 5: Margin decline led by lower volume and high opex



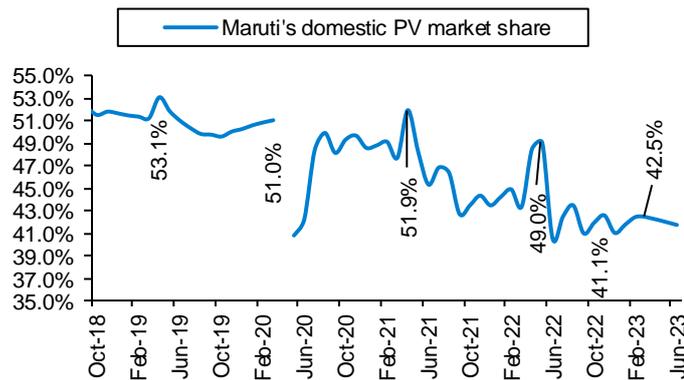
Source: Company, PL

Exhibit 6: UV mix increases sharply QoQ



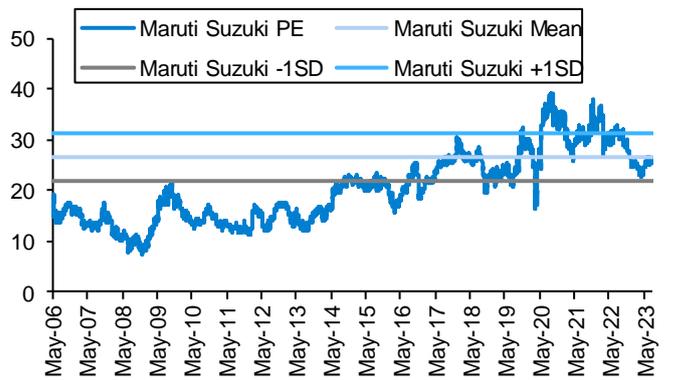
Source: Company, PL

Exhibit 7: Maruti share has likely bottomed out in Q1FY24



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	FY22	FY23	FY24E	FY25E
Net Revenues	8,82,956	11,75,229	13,97,590	15,41,605
YoY gr. (%)	25.5	33.1	18.9	10.3
Cost of Goods Sold	6,58,928	8,61,062	10,12,800	11,10,997
Gross Profit	2,24,028	3,14,167	3,84,790	4,30,607
Margin (%)	25.4	26.7	27.5	27.9
Employee Cost	40,222	46,051	51,043	55,293
Other Expenses	1,26,794	1,58,039	1,83,783	1,90,388
EBITDA	57,012	1,10,077	1,49,964	1,84,926
YoY gr. (%)	6.7	93.1	36.2	23.3
Margin (%)	6.5	9.4	10.7	12.0
Depreciation and Amortization	27,865	28,233	32,157	33,648
EBIT	29,147	81,844	1,17,807	1,51,277
Margin (%)	3.3	7.0	8.4	9.8
Net Interest	1,259	1,866	1,997	2,136
Other Income	17,935	21,613	26,684	25,000
Profit Before Tax	45,823	1,01,591	1,42,494	1,74,141
Margin (%)	5.2	8.6	10.2	11.3
Total Tax	8,160	21,099	32,179	40,052
Effective tax rate (%)	17.8	20.8	22.6	23.0
Profit after tax	37,663	80,492	1,10,315	1,34,088
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	37,663	80,492	1,10,315	1,34,088
YoY gr. (%)	-	-	-	-
Margin (%)	4.3	6.8	7.9	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	37,663	80,492	1,10,315	1,34,088
YoY gr. (%)	(10.9)	113.7	37.1	21.6
Margin (%)	4.3	6.8	7.9	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	302	302	302	302
EPS (Rs)	124.7	266.5	365.3	444.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	3,69,553	4,14,553	4,54,553	4,94,553
Tangibles	3,69,553	4,14,553	4,54,553	4,94,553
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,32,380	2,36,504	2,68,661	3,02,309
Tangibles	2,32,380	2,36,504	2,68,661	3,02,309
Intangibles	-	-	-	-
Net fixed assets	1,37,173	1,78,049	1,85,892	1,92,244
Tangibles	1,37,173	1,78,049	1,85,892	1,92,244
Intangibles	-	-	-	-
Capital Work In Progress	29,294	28,970	30,419	31,939
Goodwill	-	-	-	-
Non-Current Investments	12,162	12,162	12,162	12,162
Net Deferred tax assets	2,027	3,411	3,411	3,411
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	3,95,471	4,65,402	5,25,402	5,85,402
Inventories	35,331	42,838	53,606	59,130
Trade receivables	20,301	32,958	30,632	33,789
Cash & Bank Balance	30,362	377	62,037	1,06,927
Other Current Assets	45,253	44,882	44,882	44,882
Total Assets	7,31,916	8,28,376	9,70,044	10,93,988
Equity				
Equity Share Capital	1,510	1,510	1,510	1,510
Other Equity	5,39,350	6,02,310	6,78,329	7,76,177
Total Network	5,40,860	6,03,820	6,79,839	7,77,687
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,819	12,158	12,658	13,158
Trade payables	97,610	1,17,804	1,76,135	1,94,284
Other current liabilities	91,654	98,005	1,04,823	1,12,269
Total Equity & Liabilities	7,31,916	8,28,376	9,70,044	10,93,988

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	45,823	1,01,591	1,39,908	1,74,141
Add. Depreciation	27,865	28,233	32,157	33,648
Add. Interest	1,259	1,866	1,997	2,136
Less Financial Other Income	17,935	21,613	26,684	25,000
Add. Other	(17,935)	(21,613)	(26,684)	(25,000)
Op. profit before WC changes	57,012	1,10,077	1,47,378	1,84,926
Net Changes-WC	(28,486)	10,583	54,433	14,414
Direct tax	(14,034)	(22,483)	(32,179)	(40,052)
Net cash from Op. activities	14,492	98,177	1,69,632	1,59,288
Capital expenditures	(29,864)	(68,785)	(41,449)	(41,521)
Interest / Dividend Income	-	-	-	-
Others	17,935	21,613	26,684	25,000
Net Cash from Inv. activities	(11,929)	(47,172)	(14,765)	(16,521)
Issue of share cap. / premium	7,654	9,655	-	-
Debt changes	(1,069)	8,339	500	500
Dividend paid	(18,125)	(27,187)	(31,710)	(36,240)
Interest paid	(1,259)	(1,866)	(1,997)	(2,136)
Others	-	-	-	-
Net cash from Fin. activities	(12,799)	(11,059)	(33,207)	(37,876)
Net change in cash	(10,236)	39,946	1,21,660	1,04,890
Free Cash Flow	(15,372)	29,392	1,28,183	1,17,767

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	2,99,308	2,90,443	3,20,480	3,23,269
YoY gr. (%)	45.7	24.9	19.9	22.0
Raw Material Expenses	2,18,801	2,11,058	2,34,874	2,35,317
Gross Profit	80,507	79,385	85,606	87,952
Margin (%)	26.9	27.3	26.7	27.2
EBITDA	27,689	28,331	33,503	32,416
YoY gr. (%)	223.9	81.7	38.1	69.5
Margin (%)	9.3	9.8	10.5	10.0
Depreciation / Depletion	7,226	7,101	7,392	7,475
EBIT	20,463	21,230	26,111	24,941
Margin (%)	6.8	7.3	8.1	7.7
Net Interest	305	296	991	465
Other Income	6,125	8,608	7,428	10,012
Profit before Tax	26,283	29,542	32,549	34,489
Margin (%)	8.8	10.2	10.2	10.7
Total Tax	5,668	6,029	6,312	7,051
Effective tax rate (%)	21.6	20.4	19.4	20.4
Profit after Tax	20,615	23,513	26,237	27,438
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	20,615	23,513	26,236	27,437
YoY gr. (%)	333.7	132.5	42.7	170.9
Margin (%)	6.9	8.1	8.2	8.5
Extra Ord. Income / (Exp)	-	-	1	1
Reported PAT	20,615	23,513	26,237	27,438
YoY gr. (%)	333.7	132.5	42.7	170.9
Margin (%)	6.9	8.1	8.2	8.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	20,615	23,513	26,237	27,438
Avg. Shares O/s (m)	302	302	302	302
EPS (Rs)	68.3	77.9	86.9	90.9

Source: Company Data, PL Research

Key Financial Metrics

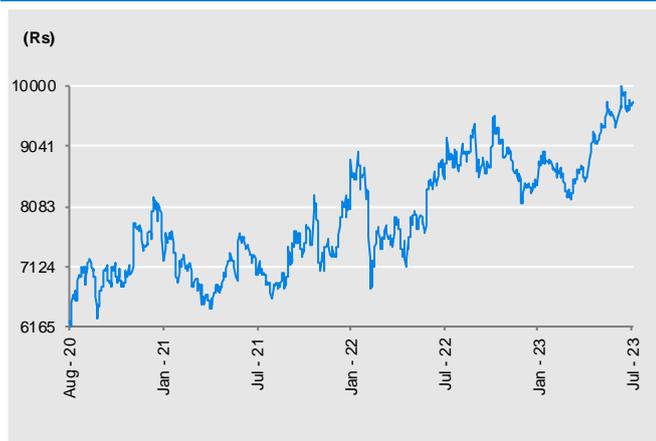
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	124.7	266.5	365.3	444.0
CEPS	217.0	360.0	471.8	555.4
BVPS	1,790.9	1,999.4	2,251.1	2,575.1
FCF	(50.9)	97.3	424.4	390.0
DPS	60.0	90.0	105.0	120.0
Return Ratio(%)				
RoCE	5.5	14.1	18.0	20.4
ROIC	22.6	56.6	136.5	236.1
RoE	7.1	14.1	17.2	18.4
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.8)	(0.8)	(0.9)
Net Working Capital (Days)	(38)	(29)	(38)	(38)
Valuation(x)				
PER	78.7	36.8	26.9	22.1
P/B	5.5	4.9	4.4	3.8
P/CEPS	45.3	27.3	20.8	17.7
EV/EBITDA	44.6	22.8	15.9	12.4
EV/Sales	2.9	2.1	1.7	1.5
Dividend Yield (%)	0.6	0.9	1.1	1.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Volume (units)	16,52,653	19,66,164	21,82,173	23,29,911
Net realisation (Rs/unit)	5,34,266	5,97,727	6,40,458	6,61,658

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-23	BUY	11,100	9,859
2	26-Apr-23	BUY	10,300	8,507
3	12-Apr-23	BUY	10,600	8,660
4	25-Jan-23	BUY	10,600	8,699
5	05-Jan-23	BUY	10,000	8,423
6	31-Oct-22	BUY	10,230	9,493
7	06-Oct-22	BUY	9,500	8,682

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	225	182
2	Bajaj Auto	Reduce	4,575	4,839
3	Bharat Forge	BUY	955	855
4	CEAT	Hold	2,430	2,496
5	Eicher Motors	Accumulate	3,460	3,222
6	Endurance Technologies	Accumulate	1,745	1,654
7	Exide Industries	UR	-	185
8	Hero Motocorp	Accumulate	3,460	3,172
9	Mahindra & Mahindra	BUY	1,685	1,549
10	Maruti Suzuki	BUY	11,100	9,859
11	Tata Motors	BUY	760	639
12	TVS Motor Company	Accumulate	1,400	1,364

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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