INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Maruti Suzuki:** Maruti Suzuki's Q2FY24 PAT at INR 37.2bn came in ahead of our estimates of INR 30.3bn, led by better-than-expected margins. While we were expecting margin improvement led by a richer mix, the extent of margin improvement has come in as a surprise and management did clarify that there are no one-offs in the quarter which has aided this. On the back of its aggressive launch spree over the last few quarters, MSIL has now gained 900bps+ market share in UVs to 25.8% in H1 and is once again the market leader in the UV segment. While its order backlog has reduced to 250k units, it is on expected lines, given the improved supply. The success of GV (9-10k units per month) is a case in point that customers are considering Maruti's products as "worthy contenders" even in the >INR1,500k segment, where few investors were so far doubting the company's "right to win". Given a strong outperformance in Q2, we have raised our FY24-25 earnings by 10% / 7%—lower for FY25—as we expect the mix to gradually normalize as car demand will also pick up. Given this and a roll-forward to Sept 25 EPS (from Jun 25 earlier), we revised our TP to INR 12,052/share (from INR 10,920/share). Maintain BUY.

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Maruti Suzuki

Stellar performance

Maruti Suzuki's Q2FY24 PAT at INR 37.2bn came in ahead of our estimates of INR 30.3bn, led by better-than-expected margins. While we were expecting margin improvement led by a richer mix, the extent of margin improvement has come in as a surprise and management did clarify that there are no one-offs in the quarter which has aided this. On the back of its aggressive launch spree over the last few quarters, MSIL has now gained 900bps+ market share in UVs to 25.8% in H1 and is once again the market leader in the UV segment. While its order backlog has reduced to 250k units, it is on expected lines, given the improved supply. The success of GV (9-10k units per month) is a case in point that customers are considering Maruti's products as "worthy contenders" even in the >INR1,500k segment, where few investors were so far doubting the company's "right to win". Given a strong outperformance in Q2, we have raised our FY24-25 earnings by 10% / 7%—lower for FY25—as we expect the mix to gradually normalize as car demand will also pick up. Given this and a roll-forward to Sept 25 EPS (from Jun 25 earlier), we revised our TP to INR 12,052/share (from INR 10,920/share). Maintain BUY.

- **Strong beat to estimates:** The key surprise in Q2 was the 380bps QoQ margin improvement to 13.5% (vs. our estimate of 11%). Management clarified that although most of the positives came in this quarter, there were no material one-offs in Q2 which led to the margin boost. Q2 margin improvement was led by (1) a richer mix as UV mix improved to 33% of volume to 25% QoQ; (2) lower input cost as precious metals saw a sharp correction; (3) normalised staff costs (which were elevated in Q1 due to bonus provision); (4) operating leverage benefit; and (5) lower ad spend offset by higher discounts.
- **Call takeaways**: (1) Management has maintained that the PV industry is likely to grow at 5-7% for FY24E and MSIL would outperform the industry. In the festive period so far, the PV industry has grown by 20% and MSIL has grown in line with the industry. (2) Management maintained that while it may take longer than earlier anticipated, it remains committed to its target of achieving 50% market share in PVs. (3) The current order backlog has now been reduced to 250k units (including 123k for CNG variants) with improved availability of vehicles. (4) Finished goods inventory stands at slightly over a month. (5) The average discount per vehicle has increased by 9% QoQ to INR 17,700, primarily due to weak car demand. (6) **Cost outlook**: While precious metal costs continue to soften QoQ, steel price is again on an uptrend which remains a cause of worry. However, any adverse impact due to this is likely to be offset by the depreciating yen. (7) Management has maintained capex guidance at INR 80bn for FY24E. (8) It has indicated that it targets to launch 11 new models by 2030 taking the total number of models to 28, including six EV models. Similarly, it aims to nearly triple its exports to 750k units by 2030.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY24	Q2 FY23	YoY (%)	Q1 FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	3,55,351	2,85,435	24.5	3,08,452	15.2	11,25,008	13,20,691	15,21,235	17,21,037
EBITDA	47,842	27,689	72.8	29,830	60.4	1,10,077	1,55,624	1,84,433	2,10,364
APAT	37,165	20,615	80.3	24,851	49.6	80,492	1,23,914	1,42,373	1,60,690
Diluted EPS (INR)	123.1	68.3	80.3	82.3	49.6	266.5	394.2	453.0	511.2
P/E (x)						39.6	26.8	23.3	20.6
EV / EBITDA (x)						24.7	17.2	14.2	12.0
RoCE (%)						16.9	19.2	19.5	19.6

Source: Company, HSIE Research

BUY

CMP *(as on 27 Oct 2023)*	**INR10,561**
Target Price	**INR12,052**
NIFTY	**19,047**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 10,920	INR 12,052
EPS %	FY24E	FY25E
	10.3%	7.2%

KEY STOCK DATA	
Bloomberg code	MSIL IN
No. of Shares (mn)	302
MCap (INR bn) / ($ mn)	3,190/39,009
6m avg traded value (INR mn)	4,877
52 Week high / low	INR 10,846/8,077

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	8.3	23.6	16.8
Relative (%)	12.0	18.5	10.1

SHAREHOLDING PATTERN (%)

	Jun-23	**Sep-23**
Promoters	56.48	56.48
FIs & Local MFs	18.20	18.30
FPIs	21.87	20.96
Public & Others	3.45	4.26
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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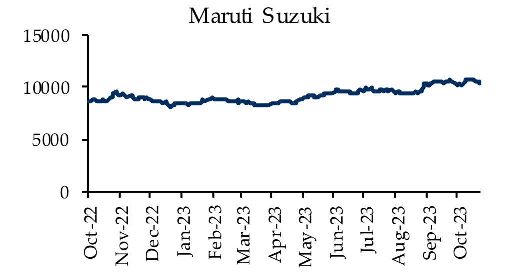
Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Aniket Mhatre	Maruti Suzuki	MBA	NO

1 Yr Price movement



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