

# Maruti Suzuki India

## BUY

Super Bullish on MSIL- Expect 24% upside

### Summary

The Strong order-booking, easing of semiconductors related supply constraints, new launches in in Mid SUV segment in FY23 and booming exports to drive double digit volume growth for MSIL. Benefit of price hikes, softening of precious metals prices and operating leverage to result in sharp improvement in profitability. The Company is set to report all time high profits in FY23 and FY24. The growth outlook for MSIL remains bright aided by Domestic and Export markets. Over FY22-24, MSIL's Sales and PAT is expected to grow at 18.2% and 60.4% CAGR respectively. We have revised our PAT estimates upwards by 1.5% and 2.1% for FY23 and FY24 respectively. We Remain super bullish on MSIL and recommend BUY with revised price target of Rs10,627 (24% upside).

### Key Highlights and Investment Rationale

- PAT below estimates:** In Q3FY22, Net Sales stood at Rs 232bn which was marginally below our estimates. However its profit declined by 47.9% YoY to Rs10.1bn (below our estimates Rs16.8bn) due to lower EBITDA margins and lowers other income.
- Earnings revision:** To factor in improving business outlook in Domestic and Export market, we have revised our PAT estimates upwards by 1.5% and 2.1% for FY23 and FY24 respectively.
- Outlook:** We believe MSIL is well poised to capitalise on the PV industry turnaround in the Indian market. The Company is set to report all time high profits in FY23 and FY24. We recommend BUY with a revised price target of Rs10,627 (24% upside).

<b>TP</b>	<b>Rs 10,627</b>
<b>CMP</b>	<b>Rs 8,601</b>
Potential upside/downside	24%
Previous Rating	BUY

### Price Performance (%)

	-1m	-3m	-12m
Absolute	17.5	18.4	7.7
Rel to Sensex	16.3	23.5	(11.9)

### V/s Consensus

EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	137.6	290.1	354.2
Consensus	123.5	259.3	342.9
% difference	11.4	11.9	3.3

### Key Stock Data

Bloomberg/Reuters	MSIL IN/MRTI.BO
Sector	Automobile
Shares o/s (mn)	302
Market cap. (Rs mn)	25,98,070
3-m daily avg Trd value (Rs mn)	344.4
52-week high / low	Rs8,370 / 6,301
Sensex / Nifty	57,858 / 17,278

### Shareholding Pattern (%)

Promoters	56.4
FII	23.6
DII	15.2
Public	4.8

### Financial snapshot

(Rs mn)

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	7,56,106	7,03,325	8,88,215	1,121,435	1,240,566
Change (yoy, %)	(12)	(7)	26	26	11
EBITDA	73,026	53,453	63,757	1,35,099	1,65,474
Change (yoy, %)	(34)	(27)	19	112	22
EBITDA Margin(%)	9.7	7.6	7.2	12.0	13.3
Adj.PAT	56,506	42,297	41,569	87,617	1,06,982
EPS (Rs)	187.1	140.1	137.6	290.1	354.2
Change (yoy, %)	(25)	(25)	(2)	111	22
PE(x)	39	65	62	30	24
Dividend Yield (%)	1	1	1	1	2
EV/EBITDA (x)	30	40	34	16	12
RoE (%)	12	8	8	15	17
RoCE (%)	8	5	6	17	20

Source: IDBI Capital Research

### Concall Highlights

- **On Scaling of Exports and Sales volumes:** The export units in CY21 stood at 205,450, which is highest ever exports clocked by the company in any CY. In Q3FY22, the export stood at 64,995 units compared to 28,528 units in Q3FY21, 66% higher than the previous peak exports in any Q3. With demand perspective sustainable, the higher product offering, entering new geographies and higher density of network has fared well for the exports growth. The Domestic Sales in Q3FY22 stood at 365,673 units compared to 467,369 units in Q3FY21, down by 22%. The Retail sales in Q3FY22 at 403,970 (includes 11,799 units of Super Carry).
- **On Market share, Order book and New launches:** On the Wholesale front, MSIL's market share in Dec-21 at 48% while for Retail at 50% with YTD FY22 share of ~44%. It has targeted for 50% share in coming years. The Model-wise cumulative market share on YTD FY22 for Hatchback- 67%, Passenger cars- 63%, MPV's- 64% and Vans- 96%. MSIL's share without the SUV segment is 65%. The Current Order book stands at around 264k, with steady bookings seen on monthly basis. The newly launched Celerio model in Q3FY22 is gaining good customer response providing fuel efficiency for the Petrol model at 26.6km/l, while for the CNG model at 35.6 km/kg. . It is also in plans to launch new models in Mid SUV segment in FY23. In Nov-21, MSIL in JV with Toyota group inaugurated Vehicle Scrapping Unit at Noida (capacity of 24,000/annum).
- **On CNG vehicles growth:** MSIL's CNG volumes in YTD FY22 stood at 150k and expected to be in the range of 235k to 237k in FY22 compared to 160k in same period last year and 106k the previous year. The CNG penetration rate currently at 15%, while it is 30% for its 8 CNG models. Out of the total Order book of 264k, around 117k (~44%) comprises of CNG. As per the Management, good growth is expected in next fiscal based on Order inflows, pending bookings, higher fuel prices (petrol & diesel) and rapid expansion of CNG network across the country.
- **Other Highlights:** The supply constraints towards semiconductors continue, but the situation is seen improving gradually from Dec-21 month. The production loss in Q3FY22 due to semiconductors shortage was estimated 90,000 units. The weighted average price hike taken in January 2022 at 2%. The capex spent in YTD FY22 at Rs. 22.3bn and expected to be at Rs. 55bn and higher for FY22. Further the capex of around Rs. 30bn is targeted in next 3 months which will be towards new model launches, R&D, enhancing existing capacities and additional land purchases. In Q3FY22, the Royalty rate at 3.6% while discounts at Rs 15,200.

## Exhibit 1: Quarterly Snapshot

(Rs mn)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)
<b>Volumes</b>	<b>4,30,668</b>	<b>4,95,897</b>	<b>(13.2)</b>	<b>3,79,541</b>	<b>13.5</b>
<b>Net Revenue</b>	<b>2,32,460</b>	<b>2,34,578</b>	<b>(0.9)</b>	<b>2,05,389</b>	<b>13.2</b>
<b>Expenditure</b>	<b>2,16,870</b>	<b>2,12,317</b>	<b>2.1</b>	<b>1,96,840</b>	<b>10.2</b>
<i>as % of sales</i>	93.3	90.5		95.8	
Consumption of RM	1,75,031	1,70,156	2.9	1,55,770	12.4
<i>as % of sales</i>	75.3	72.5		75.8	
Employee Cost	9,699	9,455	2.6	9,622	0.8
<i>as % of sales</i>	4.2	4.0		4.7	
Other expenditure	32,140	32,706	(1.7)	31,448	2.2
<i>as % of sales</i>	13.8	13.9		15.3	
<b>EBITDA</b>	<b>15,590</b>	<b>22,261</b>	<b>(30.0)</b>	<b>8,549</b>	<b>82.4</b>
Depreciation	6,400	7,413	(13.7)	7,561	(15.4)
<b>EBIT</b>	<b>9,190</b>	<b>14,848</b>	<b>(38.1)</b>	<b>988</b>	<b>830.2</b>
Other Income	3,280	9,937	(67.0)	5,227	(37.2)
Interest	252	287	(12.2)	225	12.0
PBT	12,218	24,498	(50.1)	5,990	104.0
Total Tax	2,105	5,084	(58.6)	1,237	70.2
<b>Adjusted PAT</b>	<b>10,113</b>	<b>19,414</b>	<b>(47.9)</b>	<b>4,753</b>	<b>112.8</b>
Extra ordinary items	-	-	-	-	-
<b>Reported PAT</b>	<b>10,113</b>	<b>19,414</b>	<b>(47.9)</b>	<b>4,753</b>	<b>112.8</b>
<b>Adjusted EPS</b>	<b>33.5</b>	<b>64.3</b>	<b>(47.9)</b>	<b>15.7</b>	<b>112.8</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
EBIDTA	6.7	9.5	(278)	4.2	254
EBIT	4.0	6.3	(238)	0.5	347
EBT	5.3	10.4	(519)	2.9	234
PAT	4.4	8.3	(393)	2.3	204
Effective Tax rate	17.2	20.8	(352)	20.7	(342)

Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. Estimates**

(Rs mn)

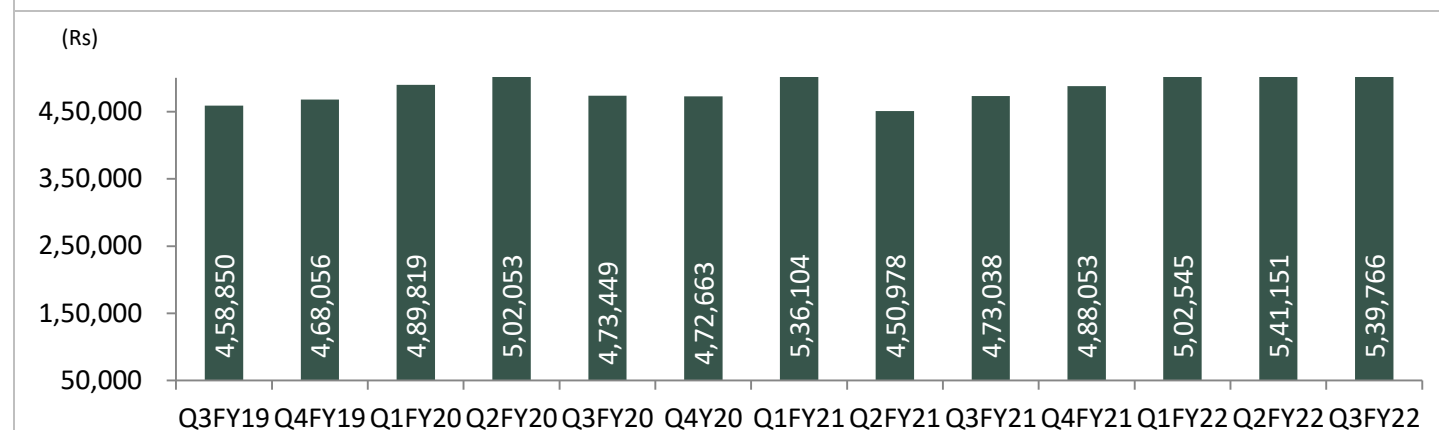
	Actual	IDBI Est	Variance (%)
Net Sales	2,32,460	2,35,387	(1.2)
EBIDTA	15,590	19,347	(19.4)
EBITDA margin (%)	6.7	8.2	(149)bps
Adj. PAT	10,113	16,777	(39.7)

Source: Bloomberg; IDBI Capital Research

**Exhibit 3: Change in estimates**

(Rs mn)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Volumes	1,649,863	1,661,429	0.7	2,177,261	2,088,425	(4.1)	2,394,987	2,255,499	(5.8)
Net Sales	8,03,895	8,88,215	10.5	1,054,081	1,121,435	6.4	1,175,269	1,240,566	5.6
EBITDA	55,977	63,757	13.9	1,24,387	1,35,099	8.6	1,53,941	1,65,474	7.5
EBITDA margin (%)	7.0	7.2	21	11.8	12.0	25	13.1	13.3	24
Net Profit	42,681	41,569	(2.6)	86,340	87,617	1.5	1,04,741	1,06,982	2.1

Source: Company; IDBI Capital Research

**Exhibit 4: Net Realization trend**

Source: Company.

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Net sales</b>	<b>8,60,203</b>	<b>7,56,106</b>	<b>7,03,325</b>	<b>8,88,215</b>	<b>11,21,435</b>	<b>12,40,566</b>
<i>Change (yoy, %)</i>	8	(12)	(7)	26	26	11
Operating expenses	(7,50,210)	(6,83,080)	(6,49,872)	(8,24,458)	(9,86,335)	(10,75,092.2)
<b>EBITDA</b>	<b>1,09,993</b>	<b>73,026</b>	<b>53,453</b>	<b>63,757</b>	<b>1,35,099</b>	<b>1,65,474</b>
<i>Change (yoy, %)</i>	(9)	(34)	(27)	19	112	22
<i>Margin (%)</i>	12.8	9.7	7.6	7.2	12.0	13.3
Depreciation	(30,189)	(35,257)	(30,315)	(28,718)	(33,125)	(37,323)
<b>EBIT</b>	<b>79,804</b>	<b>37,769</b>	<b>23,138</b>	<b>35,040</b>	<b>1,01,974</b>	<b>1,28,151</b>
Interest paid	(758)	(1,329)	(1,008)	(1,008)	(1,008)	(1,008)
Other income	25,610	34,208	29,464	17,930	19,058	21,443
<b>Pre-tax profit</b>	<b>1,04,656</b>	<b>70,648</b>	<b>51,594</b>	<b>51,961</b>	<b>1,20,024</b>	<b>1,48,586</b>
Tax	(29,650)	(14,142)	(9,297)	(10,392)	(32,406)	(41,604)
<i>Effective tax rate (%)</i>	28.3	20.0	18.0	20.0	27.0	28.0
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>75,006</b>	<b>56,506</b>	<b>42,297</b>	<b>41,569</b>	<b>87,617</b>	<b>1,06,982</b>
Exceptional items	-	-	-	-	-	-
<b>Adjusted net profit</b>	<b>75,006</b>	<b>56,506</b>	<b>42,297</b>	<b>41,569</b>	<b>87,617</b>	<b>1,06,982</b>
<i>Change (yoy, %)</i>	(3)	(25)	(25)	(2)	111	22
EPS	248	187	140	138	290	354
Dividend per sh	80	80	45	44	93	114
<i>Dividend Payout %</i>	39	52	39	32	32	32

**Balance Sheet**

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Shareholders' funds</b>	<b>4,61,415</b>	<b>4,84,370</b>	<b>5,13,668</b>	<b>5,41,877</b>	<b>6,01,335</b>	<b>6,73,933</b>
Share capital	1,510	1,510	1,510	1,510	1,510	1,510
Reserves & surplus	4,59,905	4,82,860	5,12,158	5,40,367	5,99,825	6,72,423
<b>Total Debt</b>	<b>1,496</b>	<b>1,063</b>	<b>4,888</b>	<b>4,888</b>	<b>4,888</b>	<b>4,888</b>
Other liabilities	8,095	7,677	6,990	6,990	6,990	6,990
<b>Curr Liab &amp; prov</b>	<b>1,28,155</b>	<b>1,02,255</b>	<b>1,45,919</b>	<b>1,65,139</b>	<b>2,05,181</b>	<b>2,26,978</b>
Current liabilities	1,12,634	92,913	1,33,190	1,49,064	1,84,885	2,04,526
Provisions	15,521	9,342	12,729	16,075	20,296	22,452
<b>Total liabilities</b>	<b>1,37,746</b>	<b>1,10,995</b>	<b>1,57,797</b>	<b>1,77,017</b>	<b>2,17,059</b>	<b>2,38,856</b>
<b>Total equity &amp; liabilities</b>	<b>5,99,161</b>	<b>5,95,365</b>	<b>6,71,465</b>	<b>7,18,894</b>	<b>8,18,394</b>	<b>9,12,789</b>
Net fixed assets	1,70,079	1,70,477	1,64,468	1,90,750	2,07,625	2,20,302
Investments	3,65,150	3,64,676	4,17,867	4,17,867	4,17,867	4,17,867
Other non-curr assets	-	-	-	-	-	-
<b>Current assets</b>	<b>63,932</b>	<b>60,212</b>	<b>89,130</b>	<b>1,10,276</b>	<b>1,92,902</b>	<b>2,74,620</b>
Inventories	33,257	32,149	30,500	39,579	55,437	68,712
Sundry Debtors	23,104	19,749	12,766	20,531	25,922	28,676
Cash and Bank	1,789	211	30,271	30,474	86,680	1,49,728
Loans and advances	169	160	149	188	237	263
<b>Total assets</b>	<b>5,99,161</b>	<b>5,95,365</b>	<b>6,71,465</b>	<b>7,18,894</b>	<b>8,18,394</b>	<b>9,12,789</b>

## Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Pre-tax profit	1,04,656	70,648	51,594	51,961	1,20,024	1,48,586
Depreciation	30,189	35,257	30,315	28,718	33,125	37,323
Tax paid	(29,650)	(14,142)	(9,297)	(10,392)	(32,406)	(41,604)
Chg in working capital	(13,748)	(23,758)	44,806	(1,723)	13,623	3,126
Other operating activities	327	394	(2,259)	-	-	-
<b>Cash flow from operations (a)</b>	<b>91,774</b>	<b>68,399</b>	<b>1,15,159</b>	<b>68,563</b>	<b>1,34,366</b>	<b>1,47,431</b>
Capital expenditure	(48,880)	(36,467)	(22,734)	(55,000)	(50,000)	(50,000)
Chg in investments	(12,248)	474	(53,191)	-	-	-
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(61,128)</b>	<b>(35,993)</b>	<b>(75,925)</b>	<b>(55,000)</b>	<b>(50,000)</b>	<b>(50,000)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	388	(433)	3,825	-	-	-
Dividend (incl. tax)	(29,134)	(29,134)	(16,389)	(13,360)	(28,160)	(34,383)
Chg in minorities	(822)	(4,417)	3,390	0	-	-
Other financing activities	-	-	-	-	-	-
<b>Cash flow from financing (c)</b>	<b>(29,568)</b>	<b>(33,984)</b>	<b>(9,174)</b>	<b>(13,360)</b>	<b>(28,160)</b>	<b>(34,383)</b>
<b>Net chg in cash (a+b+c)</b>	<b>1,078</b>	<b>(1,578)</b>	<b>30,060</b>	<b>203</b>	<b>56,206</b>	<b>63,048</b>

### Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Book Value (Rs)	1,528	1,604	1,701	1,794	1,991	2,231.6
Adj EPS (Rs)	248.4	187.1	140.1	137.6	290.1	354.2
Adj EPS growth (%)	-3	-25	-25	-2	111	22
EBITDA margin (%)	12.8	9.7	7.6	7.2	12.0	13.3
Pre-tax margin (%)	12	9	7	6	11	12
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	-0.1	-0.2
ROCE (%)	17.7	7.8	4.5	6.5	17.5	19.7
ROE (%)	17.1	11.9	8.5	7.9	15.3	16.8
<b>DuPont Analysis</b>						
Asset turnover (x)	1.4	1.3	1.1	1.3	1.5	1.4
Leverage factor (x)	1.4	1.3	1.3	1.3	1.3	1.4
Net margin (%)	8.7	7.5	6.0	4.7	7.8	8.6
<b>Working Capital &amp; Liquidity ratio</b>						
Inventory days	14	16	16	16	18	20
Receivable days	10	10	7	8	8	8
Payable days	47	40	57	48	49	50

### Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	30	39	65	62	30	24
Price/Book value (x)	4.8	4.6	4.3	4.1	3.7	3.3
EV/Net sales (x)	3	3	3	2	2	2
EV/EBITDA (x)	20	30	40	34	16	12
Dividend Yield (%)	1	1	1	1	1	2

Source: Company; IDBI Capital Research





# Notes

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

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