

# Maruti Suzuki India

## BUY

### Improving Business Outlook – BUY

#### Summary

Maruti Suzuki's (MSIL's) Q1FY23 PAT was below our estimates mainly on account of lower EBITDA margins. Going forward, the robust pending order-booking, easing of semiconductors supply constraints, new launches in Mid SUV segment and growing exports to drive double digit volume growth over FY22-24E for MSIL. Benefit of price hikes, lower metals prices and operating leverage to result in sharp improvement in profitability. However we have reduced our PAT estimates by 5.0%/5.5% for FY23 and FY24 respectively to factor in additional cost pressures. Over FY22-24, MSIL's Sales and PAT is expected to grow at 19.8% and 63.9% CAGR respectively. We remain positive on MSIL and retain BUY with revised price target of Rs10,047 (16% upside).

#### Key Highlights and Investment Rationale

- PAT below estimates:** In Q1FY23, Net Sales stood at Rs 265bn which was above our estimates. Its profit increased by 130% YoY to Rs 10.1bn, below our estimates of Rs17.6bn primarily due to lower Gross and EBITDA margins and lowers other income.
- Earnings revision:** We have reduced our PAT estimates by 5.0%/5.5% for FY23 and FY24 respectively to factor in cost pressure on account of raw material prices and high sales promotion expenses
- BUY:** We believe MSIL is well poised to capitalize on the PV industry turnaround in the Indian market. The Company is set to report all time high profits in FY23 and FY24. We retain BUY with a revised price target of Rs 10,047 (16% upside).

<b>TP</b>	<b>Rs 10,047</b>
<b>CMP</b>	<b>Rs 8,660</b>
Potential upside/downside	16%
Previous Rating	BUY

#### Price Performance (%)

	-1m	-3m	-12m
Absolute	2.6	11.2	19.6
Rel to Sensex	(2.4)	13.0	13.4

#### V/s Consensus

EPS (Rs)	FY23E	FY24E
IDBI Capital	268.7	334.9
Consensus	253.0	370.8
% difference	6.2	(9.7)

#### Key Stock Data

Bloomberg/Reuters	MSIL IN/MRTI.BO
Sector	Automobile
Shares o/s (mn)	302
Market cap. (Rs mn)	2,616,028
3-m daily avg Trd value (Rs mn)	344.4
52-week high / low	Rs9,022 / 6,540
Sensex / Nifty	55,816 / 16,642

#### Shareholding Pattern (%)

Promoters	56.4
FII	21.9
DII	17.8
Public	3.9

#### Financial snapshot

(Rs mn)

Year	FY20	FY21	FY22	FY23E	FY24E
Revenue	7,56,106	7,03,325	8,82,956	11,37,183	12,67,584
Change (yoy, %)	(12)	(7)	26	29	11
EBITDA	73,026	53,453	57,012	1,20,177	1,49,206
Change (yoy, %)	(34)	(27)	7	111	24
EBITDA Margin(%)	9.7	7.6	6.5	10.6	11.8
Adj.PAT	56,506	42,297	37,663	81,152	1,01,141
EPS (Rs)	187.1	140.1	124.7	268.7	334.9
Change (yoy, %)	(25)	(25)	(11)	115	25
PE(x)	46	62	69	32	26
Dividend Yield (%)	1	1	1	1	1
EV/EBITDA (x)	36	48	45	21	17
RoE (%)	12	8	7	14	16
RoCE (%)	8	5	5	16	18

Source: IDBI Capital Research

### Concall Highlights

- MSIL in Q1FY23 purchased land of 800 acres at Haryana where manufacturing capacity of 250k vehicles per annum is expected to be commissioned by 2025 with first phase of investment at Rs 110bn.
- The Domestic Sales in Q1FY23 at 398,494 units, higher by 29% YoY and exports at 69,437 units which are highest ever in any quarter, up by 52% YoY.
- The export momentum is expected to remain strong for FY23 and the company's strategy is to spread across more markets by leveraging its parent distribution network.
- The Exports revenue in Q1FY23 at Rs 36bn compared to Rs 35bn in Q4FY22.
- The semiconductor shortage impact in the Q1FY23 led to production loss of 51k units. The chip shortage situation still remains unpredictable.
- The pending customers orders as on end of the quarter stood at 280k and efforts being made to serve these orders at faster pace.
- The newly launched Vitara Brezza has phenomenal response with 70k bookings, of which 50% plus booking is for top 2 variants namely ZXi and ZXi plus.
- While the Grand Vitara's order book stands at 20k which is an intelligent electric hybrid vehicle with already 45-50% of bookings done indicating a positive start.
- MSIL's CNG sales comprises of 20% of Total sales.
- The retail Sales were in line with the wholesales.
- The average discounts in Q1FY23 at Rs 12,750 (Rs 11,130 in Q4FY22).

## Exhibit 1: Quarterly Snapshot

(Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)
<b>Volumes</b>	<b>4,67,931</b>	<b>3,53,614</b>	<b>32.3</b>	<b>4,88,830</b>	<b>(4.3)</b>
<b>Net Sales</b>	<b>2,64,998</b>	<b>1,77,707</b>	<b>49.1</b>	<b>2,67,400</b>	<b>(0.9)</b>
<b>Expenditure</b>	<b>2,45,877</b>	<b>1,69,496</b>	<b>45.1</b>	<b>2,43,132</b>	<b>1.1</b>
<i>as % of sales</i>	<i>92.8</i>	<i>95.4</i>	<i>-</i>	<i>90.9</i>	<i>-</i>
Consumption of RM	1,97,702	1,32,905	48.8	1,96,667	0.5
<i>as % of sales</i>	<i>74.6</i>	<i>74.8</i>	<i>-</i>	<i>73.5</i>	<i>-</i>
Employee Cost	11,584	10,643	8.8	10,258	12.9
<i>as % of sales</i>	<i>4.4</i>	<i>6.0</i>	<i>-</i>	<i>3.8</i>	<i>-</i>
Other expenditure	36,591	25,948	41.0	36,207	1.1
<i>as % of sales</i>	<i>13.8</i>	<i>14.6</i>	<i>-</i>	<i>13.5</i>	<i>-</i>
<b>EBITDA</b>	<b>19,121</b>	<b>8,211</b>	<b>132.9</b>	<b>24,268</b>	<b>(21.2)</b>
Depreciation	6,514	7,432	(12.4)	6,472	0.6
<b>EBIT</b>	<b>12,607</b>	<b>779</b>	<b>1,518.4</b>	<b>17,796</b>	<b>(29.2)</b>
Other Income	885	5,078	(82.6)	4,744	(81.3)
Interest	274	222	23.4	560	(51.1)
PBT	13,218	5,635	134.6	21,980	(39.9)
Total Tax	3,090	1,227	151.8	3,591	(14.0)
<b>Adjusted PAT</b>	<b>10,128</b>	<b>4,408</b>	<b>129.8</b>	<b>18,389</b>	<b>(44.9)</b>
Extra ordinary items	0	0	NA	0	NA
<b>Reported PAT</b>	<b>10,128</b>	<b>4,408</b>	<b>129.8</b>	<b>18,389</b>	<b>(44.9)</b>
<b>Adjusted EPS</b>	<b>33.5</b>	<b>14.6</b>	<b>129.8</b>	<b>60.9</b>	<b>(44.9)</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
EBIDTA	7.2	4.6	259	9.1	(186)
EBIT	4.8	0.4	432	6.7	(190)
EBT	5.0	3.2	182	8.2	(323)
PAT	3.8	2.5	134	6.9	(306)
Effective Tax rate	23.4	21.8	160	16.3	704

Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. Estimates**

(Rs mn)

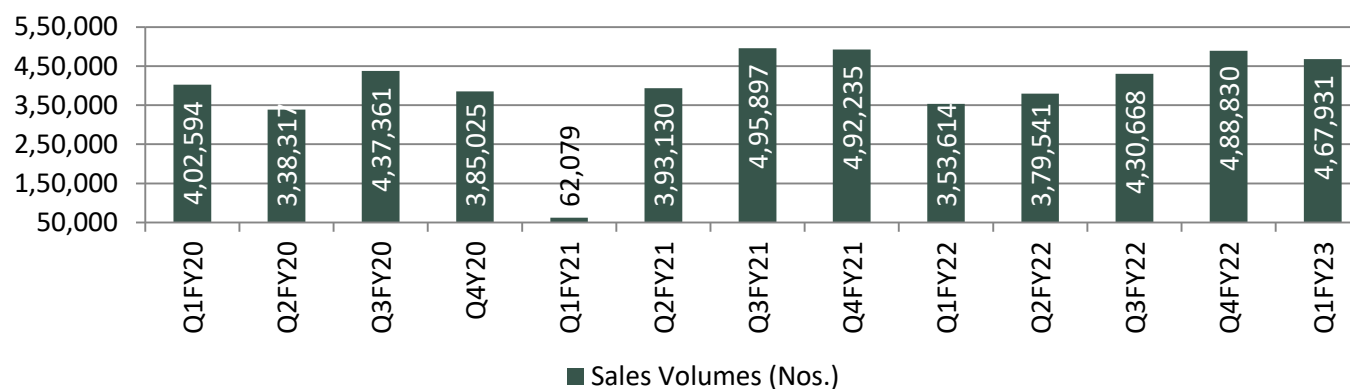
	Actual	IDBI Est	Variance (%)
Net Sales	2,64,998	2,58,527	2.5
EBIDTA	19,121	24,497	(21.9)
EBITDA margin (%)	7.2	9.5	(226)bps
Adj. PAT	10,128	17,589	(42.4)

Source: Bloomberg; IDBI Capital Research

**Exhibit 3: Change in estimates**

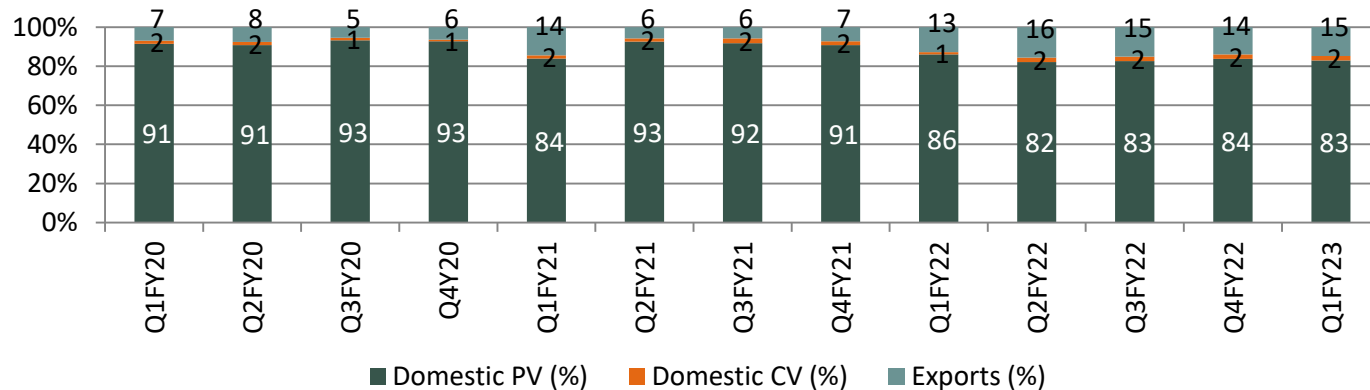
(Rs mn)	FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg
Volumes	21,02,764	21,02,764	-	23,13,041	23,13,041	-
Net Sales	11,37,183	11,37,183	-	12,67,584	12,67,584	-
EBITDA	1,25,863	1,20,177	(4.5)	1,56,811	1,49,206	(4.9)
EBITDA margin (%)	11.1	10.6	(50)	12.4	11.8	(60)
Net Profit	85,453	81,152	(5.0)	1,06,979	1,01,141	(5.5)

Source: Company; IDBI Capital Research

**Exhibit 4: Quarterly Sales volumes (Domestic + Exports)**

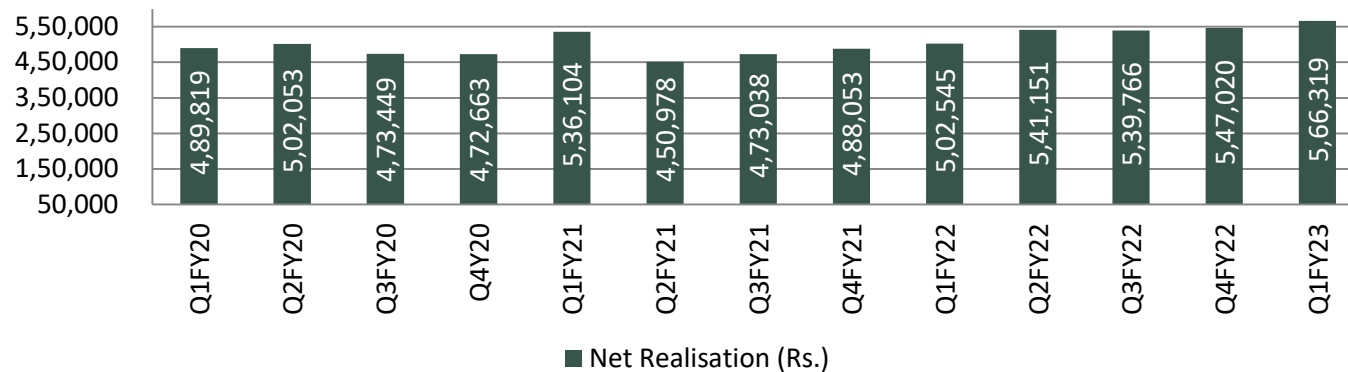
Source: Company, IDBI Capital Research

**Exhibit 5: Quarterly Sales volume mix (% of Total Sales)**



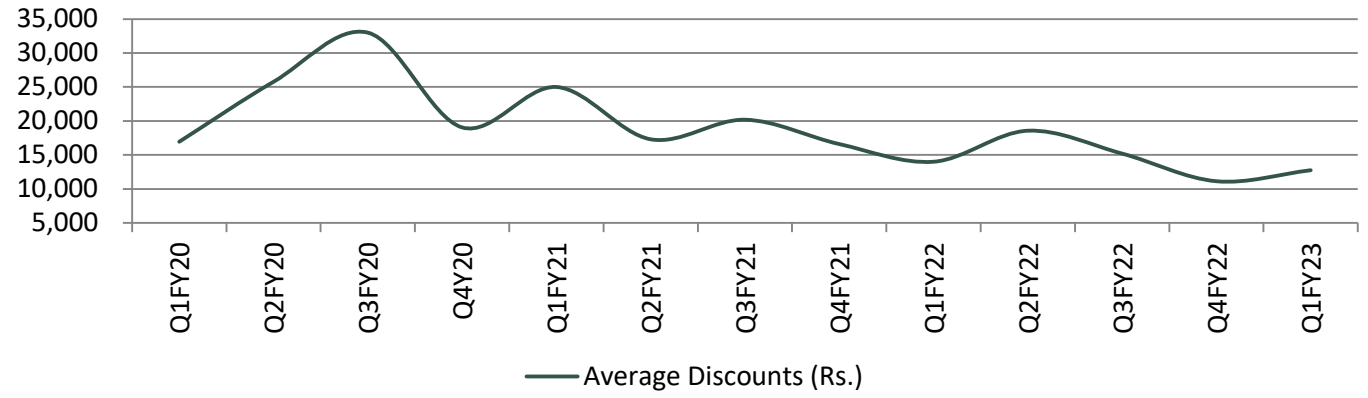
Source: Company, IDBI Capital Research

**Exhibit 6: Quarterly Realization trend (Rs.)**



Source: Company IDBI Capital Research

**Exhibit 7: Quarterly Average discounts (Rs.)**



Source: Company, IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net sales</b>	<b>8,60,203</b>	<b>7,56,106</b>	<b>7,03,325</b>	<b>8,82,956</b>	<b>11,37,183</b>	<b>12,67,584</b>
<i>Change (yoy, %)</i>	8	(12)	(7)	26	29	11
Operating expenses	(7,50,210)	(6,83,080)	(6,49,872)	(8,25,944)	(10,17,006)	(11,18,378)
<b>EBITDA</b>	<b>1,09,993</b>	<b>73,026</b>	<b>53,453</b>	<b>57,012</b>	<b>1,20,177</b>	<b>1,49,206</b>
<i>Change (yoy, %)</i>	(9)	(34)	(27)	7	111	24
<i>Margin (%)</i>	12.8	9.7	7.6	6.5	10.6	11.8
Depreciation	(30,189)	(35,257)	(30,315)	(27,865)	(30,334)	(34,719)
<b>EBIT</b>	<b>79,804</b>	<b>37,769</b>	<b>23,138</b>	<b>29,147</b>	<b>89,844</b>	<b>1,14,487</b>
Interest paid	(758)	(1,329)	(1,008)	(1,259)	(1,259)	(1,259)
Other income	25,610	34,208	29,464	17,935	19,618	21,628
<b>Pre-tax profit</b>	<b>1,04,656</b>	<b>70,648</b>	<b>51,594</b>	<b>45,823</b>	<b>1,08,203</b>	<b>1,34,855</b>
Tax	(29,650)	(14,142)	(9,297)	(8,160)	(27,051)	(33,714)
<i>Effective tax rate (%)</i>	28.3	20.0	18.0	17.8	25.0	25.0
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>75,006</b>	<b>56,506</b>	<b>42,297</b>	<b>37,663</b>	<b>81,152</b>	<b>1,01,141</b>
Exceptional items	-	-	-	-	-	-
<b>Adjusted net profit</b>	<b>75,006</b>	<b>56,506</b>	<b>42,297</b>	<b>37,663</b>	<b>81,152</b>	<b>1,01,141</b>
<i>Change (yoy, %)</i>	(3)	(25)	(25)	(11)	115	25
EPS	248	187	140	125	269	335
Dividend per sh	80	80	45	45	94	117
<i>Dividend Payout %</i>	39	52	39	36	35	35

**Balance Sheet**

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Shareholders' funds</b>	<b>4,61,415</b>	<b>4,84,370</b>	<b>5,13,668</b>	<b>5,40,860</b>	<b>5,93,609</b>	<b>6,59,351</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	5,39,350	5,92,099	6,57,841
<b>Total Debt</b>	<b>1,496</b>	<b>1,063</b>	<b>4,888</b>	<b>3,819</b>	<b>3,819</b>	<b>3,819</b>
Other liabilities	8,095	7,677	6,990	5,675	5,675	5,675
<b>Curr Liab &amp; provisions</b>	<b>1,28,155</b>	<b>1,02,255</b>	<b>1,45,919</b>	<b>1,15,489</b>	<b>1,49,209</b>	<b>1,66,318</b>
Current liabilities	1,12,634	92,913	1,33,190	1,06,876	1,38,116	1,53,953
Provisions	15,521	9,342	12,729	8,613	11,093	12,365
<b>Total liabilities</b>	<b>1,37,746</b>	<b>1,10,995</b>	<b>1,57,797</b>	<b>1,24,983</b>	<b>1,58,703</b>	<b>1,75,812</b>
<b>Total equity &amp; liabilities</b>	<b>5,99,161</b>	<b>5,95,365</b>	<b>6,71,465</b>	<b>6,65,843</b>	<b>7,52,312</b>	<b>8,35,163</b>
Net fixed assets	1,70,079	1,70,477	1,64,468	1,57,289	1,76,955	1,92,236
Investments	3,65,150	3,64,676	4,17,867	4,07,633	4,07,633	4,07,633
Other non-curr assets	-	-	-	-	-	-
<b>Current assets</b>	<b>63,932</b>	<b>60,212</b>	<b>89,130</b>	<b>1,00,921</b>	<b>1,67,723</b>	<b>2,35,294</b>
Inventories	33,257	32,149	30,500	35,331	51,792	65,419
Sundry Debtors	23,104	19,749	12,766	20,301	21,294	23,736
Cash and Bank	1,789	211	30,271	30,362	75,412	1,24,709
Loans and advances	169	160	149	307	395	441
<b>Total assets</b>	<b>5,99,161</b>	<b>5,95,365</b>	<b>6,71,465</b>	<b>6,65,843</b>	<b>7,52,312</b>	<b>8,35,163</b>



**Cash Flow Statement**

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Pre-tax profit	1,04,656	70,648	51,594	45,823	1,08,203	1,34,855
Depreciation	30,189	35,257	30,315	27,865	30,334	34,719
Tax paid	(29,650)	(14,142)	(9,297)	(8,160)	(27,051)	(33,714)
Chg in working capital	(13,748)	(23,758)	44,806	(42,130)	11,967	(1,164)
Other operating activities	327	394	(2,259)	(6,141)	-	-
<b>Cash flow from operations (a)</b>	<b>91,774</b>	<b>68,399</b>	<b>1,15,159</b>	<b>17,257</b>	<b>1,23,453</b>	<b>1,34,697</b>
Capital expenditure	(48,880)	(36,467)	(22,734)	(15,860)	(50,000)	(50,000)
Chg in investments	(12,248)	474	(53,191)	10,234	-	-
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(61,128)</b>	<b>(35,993)</b>	<b>(75,925)</b>	<b>(5,626)</b>	<b>(50,000)</b>	<b>(50,000)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	388	(433)	3,825	(1,069)	-	-
Dividend (incl. tax)	(29,134)	(29,134)	(16,389)	(13,594)	(28,403)	(35,400)
Chg in minorities	(822)	(4,417)	3,390	3,123	-	-
Other financing activities	-	-	-	-	-	-
<b>Cash flow from financing (c)</b>	<b>(29,568)</b>	<b>(33,984)</b>	<b>(9,174)</b>	<b>(11,540)</b>	<b>(28,403)</b>	<b>(35,400)</b>
<b>Net chg in cash (a+b+c)</b>	<b>1,078</b>	<b>(1,578)</b>	<b>30,060</b>	<b>91</b>	<b>45,050</b>	<b>49,297</b>

### Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	1,528	1,604	1,701	1,791	1,966	2,183
Adj EPS (Rs)	248.4	187.1	140.1	124.7	268.7	334.9
Adj EPS growth (%)	(3)	(25)	(25)	(11)	115	25
EBITDA margin (%)	12.8	9.7	7.6	6.5	10.6	11.8
Pre-tax margin (%)	12	9	7	5	10	11
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	(0.1)	(0.2)
ROCE (%)	17.7	7.8	4.5	5.4	15.6	18.0
ROE (%)	17.1	11.9	8.5	7.1	14.3	16.1

### DuPont Analysis

Asset turnover (x)	1.4	1.3	1.1	1.3	1.6	1.6
Leverage factor (x)	1.4	1.3	1.3	1.3	1.3	1.3
Net margin (%)	8.7	7.5	6.0	4.3	7.1	8.0

### Working Capital & Liquidity ratio

Inventory days	14	16	16	15	17	19
Receivable days	10	10	7	8	7	7
Payable days	47	40	57	43	45	46

### Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	35	46	62	69	32	26
Price/Book value (x)	5.7	5.4	5.1	4.8	4.4	4.0
EV/Net sales (x)	3	3	4	3	2	2
EV/EBITDA (x)	24	36	48	45	21	17
Dividend Yield (%)	1	1	1	1	1	1

Source: Company; IDBI Capital Research



# Notes

Dealing

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

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