

# Maruti Suzuki India

## BUY

### Bright Business Outlook – BUY

#### Summary

The robust pending order-booking, easing of semiconductors supply constraints, planned new launches in in Mid SUV segment in FY23 and booming exports to drive double digit volume growth over FY22-24E for MSIL. Benefit of price hikes, stabilizing of 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 19.8% and 68.5% CAGR respectively. We have retained our FY24 PAT estimates wherein MSIL is expected to report EPS of Rs354 in FY24E. We remain bullish on MSIL and recommend BUY with unchanged price target of Rs10,627 (37% upside).

#### Key Highlights and Investment Rationale

- PAT below estimates:** In Q4FY22, Net Sales stood at Rs 273bn which was below our estimates. Its profit increased by 58% YoY to Rs 18.4bn (below our estimates Rs22.2bn) primarily due to lower EBITDA margins and lowers other income.
- Earnings revision:** To factor in improving business outlook in Domestic and Export market, we have slightly revised our volume estimates upwards for FY23 and FY24 however retained our FY24 PAT estimates for MSIL.
- 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 recommend BUY with an unchanged price target of Rs 10,627 (37% upside).

<b>TP</b>	<b>Rs 10,627</b>
<b>CMP</b>	<b>Rs 7,733</b>
Potential upside/downside	37%
Previous Rating	BUY

#### Price Performance (%)

	<b>-1m</b>	<b>-3m</b>	<b>-12m</b>
Absolute	4.0	(9.6)	17.7
Rel to Sensex	5.5	(9.3)	3.1

#### V/s Consensus

<b>EPS (Rs)</b>	<b>FY23E</b>	<b>FY24E</b>
IDBI Capital	290.1	354.2
Consensus	229.2	358.2
% difference	11.9	3.3

#### Key Stock Data

Bloomberg/Reuters	MSIL IN/MRTI.BO
Sector	Automobile
Shares o/s (mn)	302
Market cap. (Rs mn)	2,335,910
3-m daily avg Trd value (Rs mn)	227.0
52-week high / low	Rs9,022 / 6,400
Sensex / Nifty	57,061 / 17,103

#### Shareholding Pattern (%)

Promoters	56.4
FII	22.6
DII	16.1
Public	4.9

#### 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	1,25,863	1,56,811
Change (yoy, %)	(34)	(27)	7	121	25
EBITDA Margin(%)	9.7	7.6	6.5	11.1	12.4
Adj.PAT	56,506	42,297	37,663	85,453	1,06,979
EPS (Rs)	187.1	140.1	124.7	283.0	354.2
Change (yoy, %)	(25)	(25)	(11)	127	25
PE(x)	41	55	62	27	22
Dividend Yield (%)	1	1	1	1	2
EV/EBITDA (x)	32	43	40	18	14
RoE (%)	12	8	7	15	17
RoCE (%)	8	5	5	17	19

Source: IDBI Capital Research

### Concall Highlights

- MSIL's Total sales volume in FY22 at 1.65mn, up by 13% YoY, while the Domestic sales volume in FY22 at 1.41mn, up by 4% YoY.
- MSIL recorded highest ever exports volume in FY22 at 238k units compared to 96k units in FY21. The exports volume was 62% higher than the peak exports in any FY so far.
- The exponential growth in exports for the year was led by higher number of products, increase in network presence through Toyota partnership and innovative selling tactics where Africa continent had larger share. As per the Management, the exports numbers are sustainable and are expected to remain strong in coming period.
- MSIL started production at its Gujarat plant's third facility in Apr-21 with capacity of 250k units. The Gujarat plant volumes in Q4FY22 at 165k units.
- The current Order book stands at more than 326k units and in fast process of fulfilling customer requirements. The CNG Sales in FY22 at 230k with backlog of ~50% of total orders.
- On the new model launches, the New Age Baleno, New WagonR and Dzire CNG were launched in the quarter.
- Suzuki Motor Corp signed MOU in Mar-22 with State of Gujarat to invest ~104bn for local manufacturing of BEV batteries and electric vehicles (EV's). The first BEV will be launched by 2025.
- The chip shortages in FY22 hampered the production with shortfall of 270k domestic models with the pending orders of 300k. The production loss led to decline in market share of below 50% but MSIL still leading in Non-SUV segment with more than 65% share. As per the Management, the chip shortage situation is expected to continue in FY23.
- The overall commodity costs are expected to rise in H1FY23, where steel prices are to be on higher side while the precious metals to remain benign which will have a mixed impact on profitability.
- The Retail Sales (incl. LCV) in Q4FY22 at 372k.
- The Inventory at end of Q4FY22 at 40,000 units.
- The average discounts in Q4FY22 at Rs 11,130 (Rs 16,624 in Q4FY21/ Rs 15,200 in Q3FY22).

## Exhibit 1: Quarterly Snapshot

(Rs mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
<b>Volumes</b>	<b>4,88,830</b>	<b>4,92,235</b>	<b>(0.7)</b>	<b>4,30,668</b>	<b>13.5</b>
<b>Net Sales</b>	<b>2,67,400</b>	<b>2,40,237</b>	<b>11.3</b>	<b>2,32,460</b>	<b>15.0</b>
<b>Expenditure</b>	<b>2,43,132</b>	<b>2,20,326</b>	<b>10.4</b>	<b>2,16,870</b>	<b>12.1</b>
<i>as % of sales</i>	<i>90.9</i>	<i>91.7</i>	<i>-</i>	<i>93.3</i>	<i>-</i>
Consumption of RM	1,96,667	1,77,509	10.4	1,75,031	12.4
<i>as % of sales</i>	<i>73.5</i>	<i>73.9</i>	<i>-</i>	<i>75.3</i>	<i>-</i>
Employee Cost	10,258	9,003	10.8	9,699	5.8
<i>as % of sales</i>	<i>3.8</i>	<i>3.7</i>	<i>-</i>	<i>4.2</i>	<i>-</i>
Other expenditure	36,207	33,814	13.9	32,140	12.7
<i>as % of sales</i>	<i>13.5</i>	<i>14.1</i>	<i>-</i>	<i>13.8</i>	<i>-</i>
<b>EBITDA</b>	<b>24,268</b>	<b>19,911</b>	<b>7.1</b>	<b>15,590</b>	<b>55.7</b>
Depreciation	6,472	7,410	(3.8)	6,400	1.1
<b>EBIT</b>	<b>17,796</b>	<b>12,501</b>	<b>21.9</b>	<b>9,190</b>	<b>93.6</b>
Other Income	4,744	898	(12.7)	3,280	44.6
Interest	560	324	42.4	252	122.2
PBT	21,980	13,075	428.3	12,218	79.9
Total Tax	3,591	1,414	72.8	2,105	70.6
<b>Adjusted PAT</b>	<b>18,389</b>	<b>11,661</b>	<b>57.7</b>	<b>10,113</b>	<b>81.8</b>
Extra ordinary items	0	0	NA	0	NA
<b>Reported PAT</b>	<b>18,389</b>	<b>11,661</b>	<b>57.7</b>	<b>10,113</b>	<b>81.8</b>
<b>Adjusted EPS</b>	<b>60.9</b>	<b>38.6</b>	<b>57.7</b>	<b>33.5</b>	<b>81.8</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
EBIDTA	9.1	8.3	79	6.7	237
EBIT	6.7	5.2	145	4.0	270
EBT	8.2	5.4	278	5.3	296
PAT	6.9	4.9	202	4.4	253
Effective Tax rate	16.3	10.8	552	17.2	(89)

Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. Estimates**

(Rs mn)

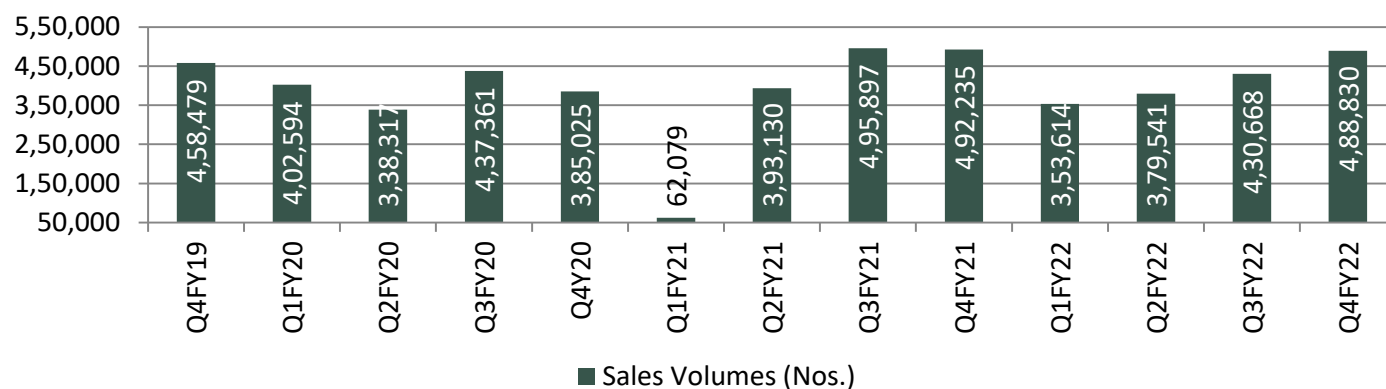
	Actual	IDBI Est	Variance (%)
Net Sales	2,67,400	2,72,659	(1.9)
EBIDTA	24,268	31,407	(22.7)
EBITDA margin (%)	9.1	11.5	(244)bps
Adj. PAT	18,389	22,295	(17.5)

Source: Bloomberg; IDBI Capital Research

**Exhibit 3: Change in estimates**

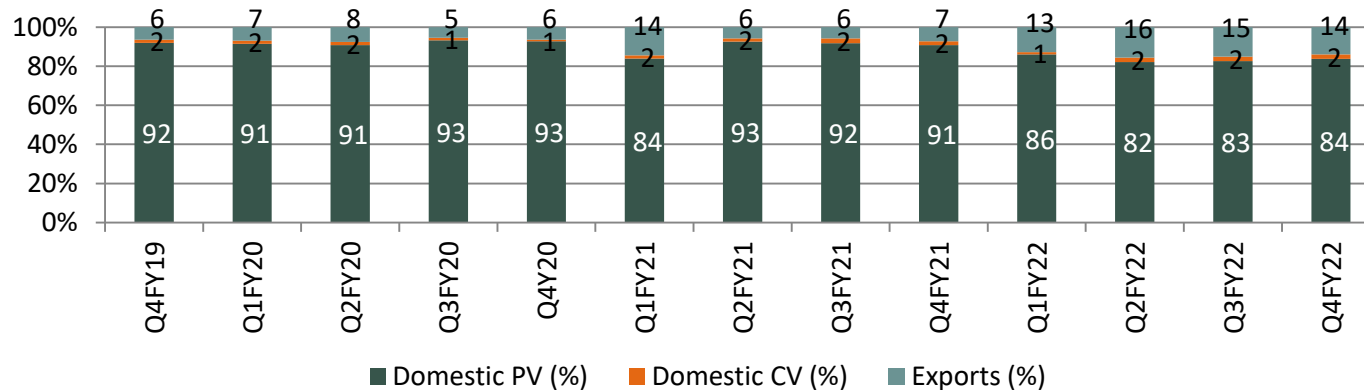
(Rs mn)	FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg
Volumes	20,88,425	21,02,764	0.7	22,55,499	23,13,041	2.6
Net Sales	11,21,435	11,37,183	1.4	12,40,566	12,67,584	2.2
EBITDA	1,35,099	1,25,863	(6.8)	1,65,474	1,56,811	(5.2)
EBITDA margin (%)	12.0	11.1	(98)	13.3	12.4	(97)
Net Profit	87,617	85,453	(2.5)	1,06,982	1,06,979	(0.0)

Source: Company; IDBI Capital Research

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

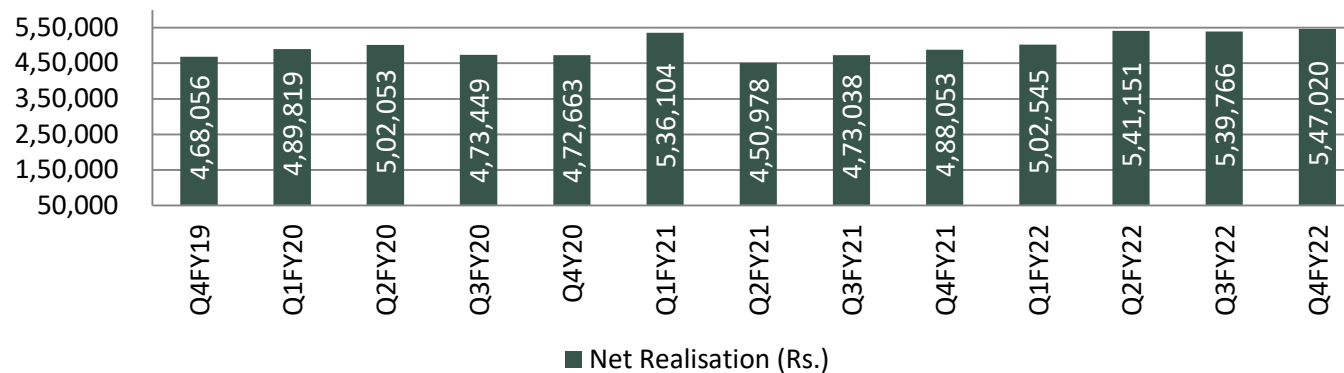
Source: Company, IDBI Capital Research

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



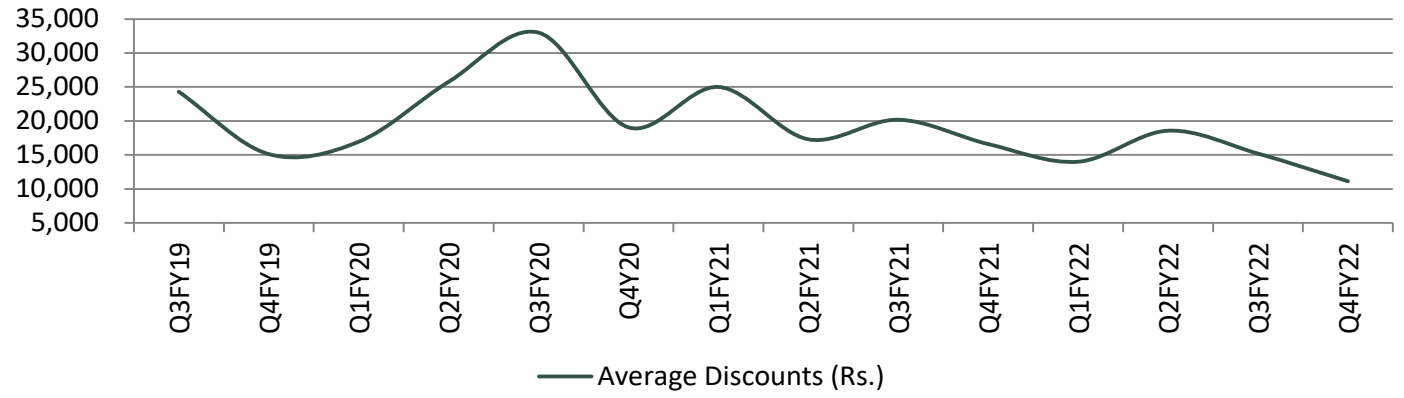
Source: Company, IDBI Capital Research

**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)	(10,11,320)	(11,10,772)
<b>EBITDA</b>	<b>1,09,993</b>	<b>73,026</b>	<b>53,453</b>	<b>57,012</b>	<b>1,25,863</b>	<b>1,56,811</b>
<i>Change (yoy, %)</i>	(9)	(34)	(27)	7	121	25
<i>Margin (%)</i>	12.8	9.7	7.6	6.5	11.1	12.4
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>95,530</b>	<b>1,22,092</b>
Interest paid	(758)	(1,329)	(1,008)	(1,259)	(1,259)	(1,259)
Other income	25,610	34,208	29,464	17,935	19,667	21,806
<b>Pre-tax profit</b>	<b>1,04,656</b>	<b>70,648</b>	<b>51,594</b>	<b>45,823</b>	<b>1,13,938</b>	<b>1,42,639</b>
Tax	(29,650)	(14,142)	(9,297)	(8,160)	(28,484)	(35,660)
<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>85,453</b>	<b>1,06,979</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>85,453</b>	<b>1,06,979</b>
<i>Change (yoy, %)</i>	(3)	(25)	(25)	(11)	127	25
EPS	248	187	140	125	283	354
Dividend per sh	80	80	45	45	99	124
<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>5,96,405</b>	<b>6,65,941</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	5,94,895	6,64,431
<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>1,48,354</b>	<b>1,65,365</b>
Current liabilities	1,12,634	92,913	1,33,190	1,06,876	1,37,261	1,53,000
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>1,57,848</b>	<b>1,74,859</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>7,54,252</b>	<b>8,40,801</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>1,69,664</b>	<b>2,40,931</b>
Inventories	33,257	32,149	30,500	35,331	51,441	64,976
Sundry Debtors	23,104	19,749	12,766	20,301	21,294	23,736
Cash and Bank	1,789	211	30,271	30,362	77,704	1,30,790
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>7,54,252</b>	<b>8,40,801</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	1,13,938	1,42,639
Depreciation	30,189	35,257	30,315	27,865	30,334	34,719
Tax paid	(29,650)	(14,142)	(9,297)	(8,160)	(28,484)	(35,660)
Chg in working capital	(13,748)	(23,758)	44,806	(42,130)	11,463	(1,169)
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>1,27,250</b>	<b>1,40,529</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)	(29,909)	(37,443)
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>(29,909)</b>	<b>(37,443)</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>47,342</b>	<b>53,086</b>

### Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	1,528	1,604	1,701	1,791	1,975	2,205
Adj EPS (Rs)	248.4	187.1	140.1	124.7	283.0	354.2
Adj EPS growth (%)	(3)	(25)	(25)	(11)	127	25
EBITDA margin (%)	12.8	9.7	7.6	6.5	11.1	12.4
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	16.5	19.1
ROE (%)	17.1	11.9	8.5	7.1	15.0	16.9

### 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	1.2	1.3
Net margin (%)	8.7	7.5	6.0	4.3	7.5	8.4

### 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)	31	41	55	62	27	22
Price/Book value (x)	5.1	4.8	4.5	4.3	3.9	3.5
EV/Net sales (x)	3	3	3	3	2	2
EV/EBITDA (x)	21	32	43	40	18	14
Dividend Yield (%)	1	1	1	1	1	2

Source: Company; IDBI Capital Research



# Notes

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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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