

## Maruti Suzuki India

HOLD

Business Outlook Improving – HOLD

## Summary

Maruti Suzuki's (MSIL's) Q2FY23 PAT was higher than our estimates mainly supported by higher 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. We have retained our PAT estimates for FY23 and FY24 respectively with positive bias towards earnings upgrade. 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 our target price with revised HOLD rating.

## Key Highlights and Investment Rationale

- **PAT above estimates:** In Q2FY23, Net Sales stood at Rs 299bn which was in line with our estimates. Its profit increased by 104% QoQ to Rs 20.6bn above our estimates primarily due to higher Gross and EBITDA margins.
- **Earnings revision:** We have retained our PAT estimates by for FY23 and FY24 respectively with further room of earnings expansion on account of declining cost pressure due to softness in raw material prices and high operating leverage.
- **HOLD:** 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 change our rating from BUY to HOLD with unchanged price target of Rs 10,047.

TP **Rs 10,047**CMP **Rs 9,494**

Potential upside/downside 6%  
Previous Rating BUY

## Price Performance (%)

	-1m	-3m	-12m
Absolute	10.1	8.2	26.9
Rel to Sensex	3.8	4.1	25.8

## V/s Consensus

EPS (Rs)	FY23E	FY24E
IDBI Capital	268.7	334.9
Consensus	254.4	381.8
% difference	5.6	(12.3)

## Key Stock Data

Bloomberg/Reuters	MSIL IN/MRTI.BO
Sector	Automobile
Shares o/s (mn)	302
Market cap. (Rs mn)	2,867,978
3-m daily avg Trd value (Rs mn)	292.4
52-week high / low	Rs9,450 / 6,540
Sensex / Nifty	59,960 / 17,787

## 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)	51	68	76	35	28
Dividend Yield (%)	1	0	0	1	1
EV/EBITDA (x)	39	53	50	23	18
RoE (%)	12	8	7	14	16
RoCE (%)	8	5	5	16	18

Source: IDBI Capital Research

### Concall Highlights

- Total volume in Q2FY23 at 517,395 units, higher by 36% YoY and 11% on QoQ on the back of better availability of electronic components. Supply of electronic components remains unpredictable.
- Company claims it has pending orders of about 412,000 vehicles at the end of Q2FY23, out of which about 130,000 vehicle pre-bookings are for recently launched models.
- Expected higher level of wholesale and retail sales at end of December.
- With newly launched of S-CNG variant of the S-Presso and future lunches in SUV segment, company aims to dominate the SUV segment.
- Relatively better sales volume leading to improved capacity utilisation, favourable foreign exchange variation, cost reduction efforts, and improved realisation boosted margin performance, though impacted by higher advertisement cost, and higher power & fuel expenses.
- 2% increase in realization led by new launches and price hike.
- Kharkhoda plant (250,000 total capacity) is expected to be operational by FY25. Company will add capacity of 100,000 units to meet the intermediate demand.
- The average discounts in Q1FY23 at Rs 13,840 (Rs 12,750 in Q1FY23). Royalty percentage was at 3.6% in Q1FY23 vs 3.8% in Q2FY23.
- The Exports revenue in Q2FY23 at Rs 34bn compared to Rs 36bn in Q1FY23.
- Commercial vehicle (Trucks) space got impacted, due to elevated price of CNG, MSIL's CNG sales comprises of 20% of total sales.
- New launches in Hybrid SUV segment will be depend on the feedbacks from customers and manufacturers.
- Forex gained of 158cr from the yen depreciation during the quarter.

## Exhibit 1: Quarterly Snapshot

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)
<b>Volumes</b>	<b>5,17,395</b>	<b>3,79,541</b>	<b>36.3</b>	<b>4,67,931</b>	<b>10.6</b>
<b>Net Sales</b>	<b>2,99,308</b>	<b>2,05,389</b>	<b>45.7</b>	<b>2,64,998</b>	<b>12.9</b>
<b>Expenditure</b>	<b>2,71,619</b>	<b>1,96,840</b>	<b>38.0</b>	<b>2,45,877</b>	<b>10.5</b>
<i>as % of sales</i>	<i>90.7</i>	<i>95.8</i>		<i>92.8</i>	
Consumption of RM	2,18,801	1,55,770	40.5	1,97,702	10.7
<i>as % of sales</i>	<i>73.1</i>	<i>75.8</i>		<i>74.6</i>	
Employee Cost	11,327	9,622	17.7	11,584	(2.2)
<i>as % of sales</i>	<i>3.8</i>	<i>4.7</i>		<i>4.4</i>	
Other expenditure	41,491	31,448	31.9	36,591	13.4
<i>as % of sales</i>	<i>13.9</i>	<i>15.3</i>		<i>13.8</i>	
<b>EBITDA</b>	<b>27,689</b>	<b>8,549</b>	<b>223.9</b>	<b>19,121</b>	<b>44.8</b>
Depreciation	7,226	7,561	(4.4)	6,514	10.9
<b>EBIT</b>	<b>20,463</b>	<b>988</b>	<b>1,971.2</b>	<b>12,607</b>	<b>62.3</b>
Other Income	6,125	5,227	17.2	885	592.1
Interest	305	225	35.6	274	11.3
PBT	26,283	5,990	338.8	13,218	98.8
Total Tax	5,668	1,237	358.2	3,090	83.4
<b>Adjusted PAT</b>	<b>20,615</b>	<b>4,753</b>	<b>333.7</b>	<b>10,128</b>	<b>103.5</b>
Extra ordinary items	0	0	NA	0	NA
<b>Reported PAT</b>	<b>20,615</b>	<b>4,753</b>	<b>333.7</b>	<b>10,128</b>	<b>103.5</b>
<b>Adjusted EPS</b>	<b>68.3</b>	<b>15.7</b>	<b>333.7</b>	<b>33.5</b>	<b>103.5</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
EBIDTA	9.3	4.2	509	7.2	204
EBIT	6.8	0.5	636	4.8	208
EBT	8.8	2.9	586	5.0	379
PAT	6.9	2.3	457	3.8	307
Effective Tax rate	21.6	20.7	91	23.4	(181)

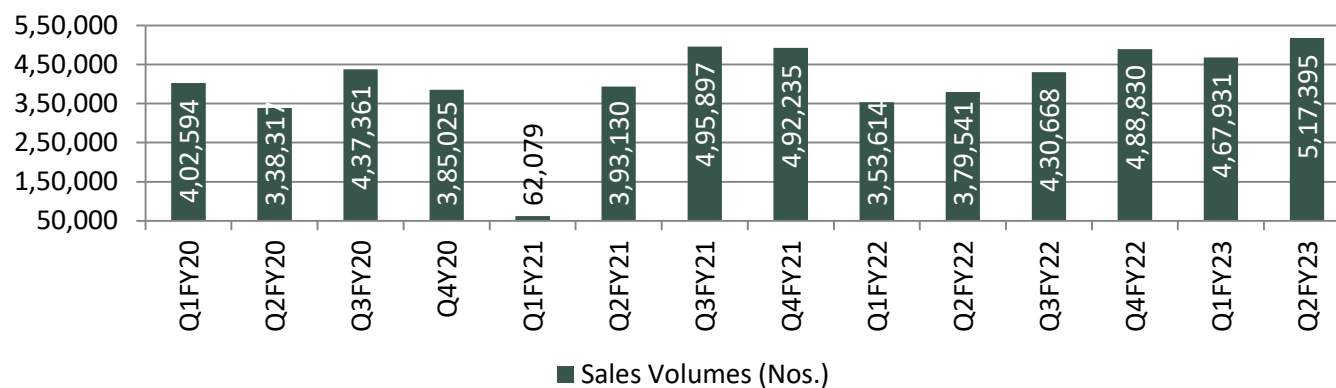
Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs. Estimates**

(Rs mn)

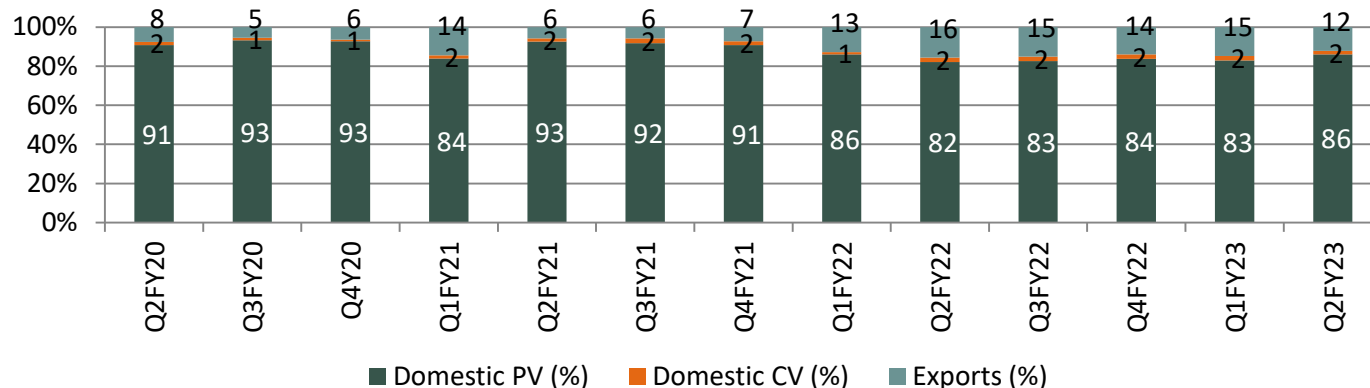
	Actual	IDBI Est	Variance (%)
Net Sales	2,99,308	2,95,940	1.1
EBIDTA	27,689	27,227	1.7
EBITDA margin (%)	9.3	9.2	5
Adj. PAT	20,615	18,811	9.6

Source: Bloomberg; IDBI Capital Research

**Exhibit 3: Quarterly Sales volumes (Domestic + Exports)**

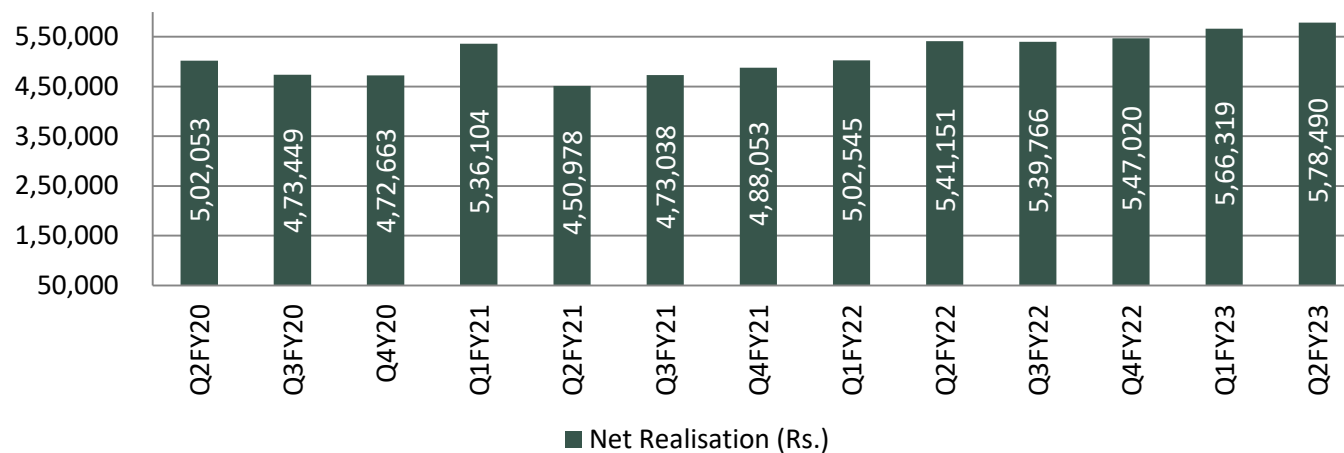
Source: Company, IDBI Capital Research

**Exhibit 4: Quarterly Sales volume mix (% of Total Sales)**



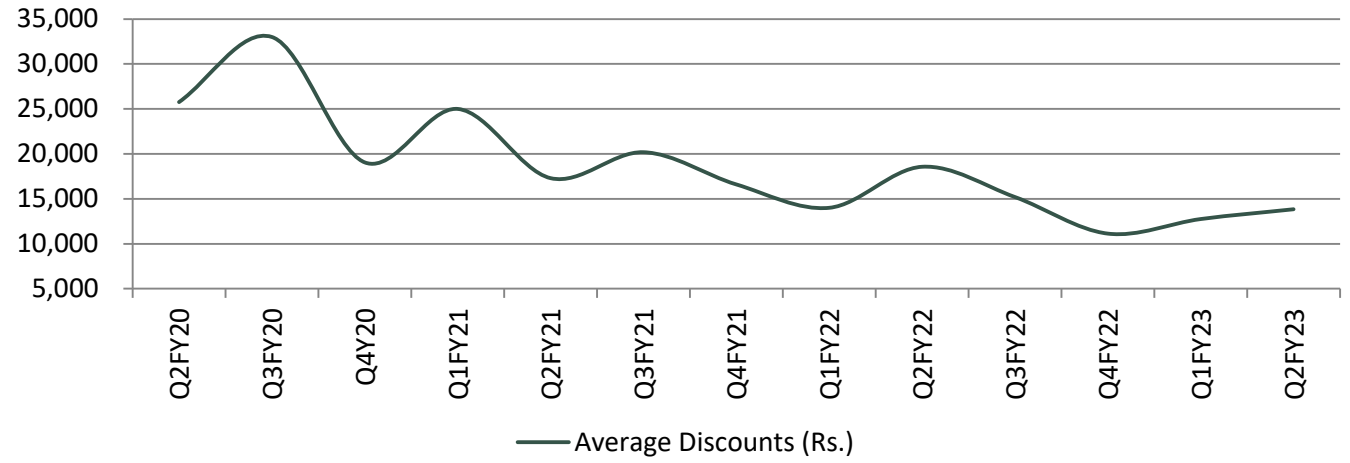
Source: Company, IDBI Capital Research

**Exhibit 5: Quarterly Realization trend (Rs.)**



Source: Company IDBI Capital Research

**Exhibit 6: 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	(0)	-
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)	38	51	68	76	35	28
Price/Book value (x)	6.2	5.9	5.6	5.3	4.8	4.3
EV/Net sales (x)	3	4	4	3	2	2
EV/EBITDA (x)	26	39	53	50	23	18
Dividend Yield (%)	1	1	0	0	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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