

MARUTI SUZUKI INDIA LIMITED | Auto & Auto Components

Comprehensive beat on all fronts; demand to remain buoyant on new launches and technologies



Q3 FY23 numbers of MSIL were strong on all fronts. Top-line grew by 24.9% yoy and fell by just 3.4% qoq. The base quarter of last year was impacted severely by the chip shortage. Volumes grew by 8% yoy, while realisations increased by 16% yoy, while sequentially volumes fell by 10% though realisations improved by 8% on better product mix tilting towards SUVs. Margins in the quarter jumped by 50 bps qoq and 310 bps to 9.8% on easing of input costs, higher capacity utilization rate, favourable foreign exchange variation and higher cost reduction efforts. Steel, aluminium, noble metals etc witnessed fall in their prices, while oil, power etc saw a rise. There was a rise in discounts both yoy and qoq as retails saw a solid growth. Supply chain problem remained an issue during this quarter as well, as MSIL could not supply 46K units. There was a noticeable rise in other income due to significantly low base of last year, which assisted bottomline growth, which was reported at ₹23.5 bn, a growth of 133% yoy and 14% qoq.

Order book remains strong, new launches to fill in the white spaces and bolster growth

Vehicular demand in Q3 FY23 grew by 8% yoy. MSIL highlighted that Q3 FY23 demand was strongly driven by new launches (Brezza and Grand Vitara variants) done last quarter, new Alto launch and the CNG variants of Ertiga, Celerio and Wagon R. MSIL brought models of Alto K10, Baleno, S-Presso, XL6 & Grand Vitara under the S-CNG ambit during the quarter. Even the demand for strong hybrid variants of the new launches like the new Grand Vitara was ~35-40% of the total demand. In the recently concluded Auto Expo, the company unveiled 3 new offerings in the form of Concept Electric SUV “eVX”, off-roader 5-door Jimny and Sporty Compact SUV Fronx (in an altogether new shape). The company also unveiled Wagon-R Flex Fuel Vehicle, which is India’s first mass segment Flex Fuel prototype car.

With monsoon panning out well, we believe rural markets (~45% of volumes for MSIL in Q3) to perform even better. Reviving economy as well should fuel demand for 4 wheelers whose penetration in India is just 3%. The only issue which has been persisting since a year now is the supply side issue which we believe to settle down in the short term. The company could not produce 46K units in Q3 due to supply constraints. However, the company still managed to bring down its order book to 363K from 410K units qoq out of which 119K was the order book of new models. We believe the chip shortage issue to get resolved well by Q4 FY23, therefore fulfilment of this order book may surely lead to a surge in Q4 FY23 and FY 24 volumes. We believe the current momentum in volumes to continue through FY 24 and percolate down to FY 25 on rising demand for new launches and alternate fuel technologies in which MSIL is getting aggressive.

Key Financials	FY 21	FY 22	FY 23E	FY 24E	FY 25E
Total sales (₹ bn)	703.3	883.0	1,226.2	1,594.2	1,974.2
EBITDA margins (%)	8.0	6.8	9.3	10.2	11.1
PAT margins (%)	6.4	4.5	6.6	7.4	8.1
EPS (₹)	140.1	124.7	259.7	380.0	514.9
P/E (x)	62.1	69.8	33.5	22.9	16.9
P/BV (X)	5.1	4.9	4.5	4.0	3.6
EV/EBITDA (x)	49.1	46.1	24.0	16.6	12.3
ROE (%)	8.2	7.0	13.3	17.6	21.0
Dividend yield (%)	0.7	0.5	1.2	2.0	2.8

Rating	Buy
Current Market Price (₹)	8,700
12 M Price Target (₹)	10,298
Potential upside (%)	18

Stock Data

FV (₹) :	5
Total Market Cap (₹ bn) :	2,627
Free Float Market Cap (₹ bn) :	1,156
52-Week High / Low (₹) :	9,769 / 6,537
2-Year High / Low (₹) :	9,769 / 6,400
1 Yr Avg. Dly Traded Volume (in lakh)	7
BSE Code / NSE Symbol	532500 / MARUTI
Bloomberg :	MSIL IN

Shareholding Pattern

(%)	Dec-22	Sep-22	Jun-22	Mar-22
Promoter	56.37	56.37	56.37	56.37
FPIs	21.49	21.84	21.89	22.57
MFs	11.57	10.59	9.37	8.22
FI's/Insurance	5.26	6.27	8.45	7.90
Others	5.31	4.93	3.92	4.94

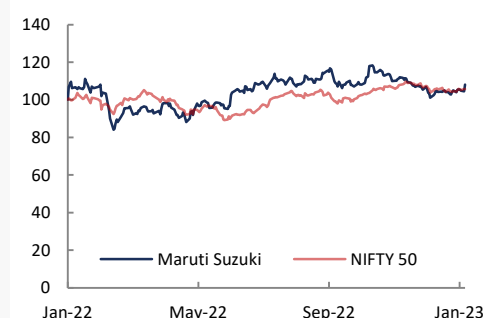
Source: BSE

Price Performance

(%)	1M	3M	6M	1YR
Maruti Suzuki	6.8%	-0.8%	-1.5%	8.0%
Nifty 50	1.7%	2.2%	8.4%	5.7%

* To date / current date : January 24, 2023

Maruti Suzuki vs Nifty 50



Capacity expansion to accommodate increasing demand

MSIL has outlaid a plan for capacity expansion in the coming quarters anticipating robust demand and quick catering to the burgeoning order book. In line with this, they have already started expansion at their Manesar (Haryana) plant. The total capacity collectively at Haryana and Gujarat now stands at 22.5 lakh units, which is to be further increased by 1 lakh units at Haryana plant immediately and 2.5 lakh units at their upcoming plant in Karnataka (first phase in H1 CY25). The total capex is planned at ₹105 bn over the next couple of years.

Margin tailwinds to continue for some more time

MSIL reported a good margin performance at 9.8% in Q3 FY23 as commodity costs were down at (75.8% of sales v/s 76.7% qoq) offsetting the impact of higher discounts (₹18,291 v/s ₹13,840 qoq). Discounts were high as retails were higher than wholesales at 4.8 lakh units. Positive impact of commodity prices softening should be felt more in the ensuing quarters due to lag effect. Currency benefits of upto 50 bps were observed in the quarter due to Yen depreciation. Also the Indigenisation was high during the quarter with direct import dependence now reduced to just 4% (direct + indirect 13-14%). Higher utilization rates with higher volumes should further impact margins positively as chip shortage issue gets resolved gradually. Continuation of better cost management was seen in Q3 and should further aid margins. Higher contribution of SUVs (<20% market share currently) through new launches should enable better product mix as well. We expect 9.3%/10.2%/11.1% margins in FY23E/24E/25E respectively.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q3 FY23	Q2 FY23	% qoq	Q3 FY22	% yoy
Total income	2,90,443	2,99,308	(3.0)	2,32,460	24.9
Raw material costs	2,11,058	2,18,801	(3.5)	1,75,041	20.6
Employee costs	12,010	11,327	6.0	9,699	23.8
Other expenses	39,044	41,491	(5.9)	32,140	21.5
EBITDA	28,331	27,689	2.3	15,580	81.8
EBITDA margins %	9.8%	9.3%	50 bps	6.7%	310 bps
Depreciation & Amortization	7,101	7,226	(1.7)	6,400	11.0
Interest expenses	296	305	(3.0)	252	17.5
Other income	8,608	6,125	40.5	3,280	162.4
PBT	29,542	26,283	12.4	12,208	142.0
Tax	6,029	5,668	6.4	2,105	186.4
Adjusted PAT	23,513	20,615	14.1	10,103	132.7
Exceptional items	-	-	-	-	-
Reported PAT	23,513	20,615	14.1	10,103	132.7

Source: Company, LKP Research

Outlook and Valuation

MSIL reported a strong margin performance in the quarter on better product mix, higher ASPs, lower input costs and higher utilization rates. The demand is going quite strong driven by personal mobility theme, first time buyers, new variant launches and hybrid & CNG variants. Going forward, with supply issues getting resolved sooner or later, we believe that the strong order book, newer SUV launches (“eVX”, Jimny and Fraunx), digitization of sales, expanding dealer network (now 3,500 sales outlets across India), higher capacity utilization rates, softening of commodities, favourable currency movement and product mix should trigger a superior volume and margin profile in the ensuing years. An aggressive EV + Hybrid plan + Flex Fuel strategy of the management led by ₹105 bn capex at Gujarat and new capacity outlay of 250K vehicles in FY25 at Karnataka entails a big bang volume growth. With ability to combat competition coming from EV shift and better growth in rural markets which were severely impacted by covid Wave #2, company is poised for a healthy growth here-on. With multiple positive drivers in place, we remain sanguine on the stock with a rolled over FY25E target of ₹10,298. Maintain BUY.

Per unit parameters	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Net Realisation/unit	4,66,414	4,75,044	6,02,806	5,15,190	5,21,940	5,40,385	5,51,677	5,97,736
Material Cost/unit	3,60,618	3,75,837	4,86,579	4,06,441	4,02,322	4,22,502	4,22,890	4,53,001
Employee cost per unit	18,290	30,097	30,056	22,521	20,985	24,756	21,892	25,777
EBITDA/unit	40,450	23,220	26,705	36,176	49,645	40,863	53,516	60,808
PAT/unit	23,690	12,465	14,847	23,459	37,618	21,644	39,844	50,467

Source: Company, LKP Research

Income Statement

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
Total Revenues	7,03,325	8,82,956	12,26,242	5,94,175	19,74,225
Raw Material Cost	5,08,172	6,60,373	8,96,984	11,60,381	14,31,185
Employee Cost	34,029	40,222	50,750	63,434	77,049
Other Exp	1,08,399	1,26,794	1,67,594	2,10,416	2,50,409
EBITDA	53,453	57,012	1,09,413	1,58,344	2,13,882
<i>EBITDA Margin(%)</i>	<i>8.0</i>	<i>6.8</i>	<i>9.3</i>	<i>10.2</i>	<i>11.1</i>
Other Income	29,464	17,935	21,000	23,000	25,000
Depreciation	30,315	27,865	30,993	36,283	42,698
EBIT	52,602	47,082	99,420	1,45,061	1,96,184
<i>EBIT Margin(%)</i>	<i>7.9</i>	<i>5.6</i>	<i>8.4</i>	<i>9.4</i>	<i>10.2</i>
Interest	1008	1259	1400	1600	1800
PBT	51,594	45,823	98,020	1,43,461	1,94,384
<i>PBT Margin(%)</i>	<i>7.8</i>	<i>5.5</i>	<i>8.3</i>	<i>9.3</i>	<i>10.1</i>
Tax	9,297	8,160	19,604	28,692	38,877
PAT	42,297	37,663	78,416	1,14,768	1,55,507
<i>PAT Margins (%)</i>	<i>6.4</i>	<i>4.5</i>	<i>6.6</i>	<i>7.4</i>	<i>8.1</i>
Minority interest	0	0	0	0	0
Exceptional items	0	0	0	0	0
Adj PAT	42,297	37,663	78,416	1,14,768	1,55,507
<i>Adj PAT Margins (%)</i>	<i>6.4</i>	<i>4.5</i>	<i>6.6</i>	<i>7.4</i>	<i>8.1</i>

Key Ratios

YE Mar	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data (₹)					
Adj. EPS	140.1	124.7	259.7	380.0	514.9
CEPS	240.4	217.0	362.3	500.2	656.3
BVPS	1700.9	1790.9	1946.7	2163.3	2446.5
DPS	62.7	47.0	108.5	170.8	242.1
Growth Ratios(%)					
Total revenues	-7.2	25.9	40.8	31.1	24.5
EBITDA	-26.8	6.7	91.9	44.7	35.1
PAT	-25.1	-11.0	108.2	46.4	35.5
EPS Growth	-25.1	-11.0	108.2	46.4	35.5
Valuation Ratios (X)					
PE	62.1	69.8	33.5	22.9	16.9
P/CEPS	36.2	40.1	24.0	17.4	13.3
P/BV	5.1	4.9	4.5	4.0	3.6
EV/EBITDA	49.1	46.1	24.0	16.6	12.3
Operating Ratios (Days)					
Inventory days	17.0	17.0	17.0	18.0	18.0
Receivable Days	8.0	8.0	8.0	8.0	9.0
Payables day	2.4	2.4	2.4	2.4	2.5
Net Debt/Equity (x)	0.01	0.01	0.01	0.01	0.01
Profitability Ratios (%)					
ROCE	(1.2)	2.0	9.4	14.6	19.2
ROE	8.2	7.0	13.3	17.6	21.0
Dividend payout	44.8	37.7	41.8	44.9	47.0
Dividend yield	0.7	0.5	1.2	2.0	2.8

Balance Sheet

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity and Liabilities					
Equity Share Capital	1,510	1,510	1,510	1,510	1,510
Reserves & Surplus	5,12,158	5,39,350	5,86,400	6,51,818	7,37,347
Total Networth	5,13,668	5,40,860	5,87,910	6,53,328	7,38,857
Total debt	0	0	0	0	0
Net Deferred Tax	3,847	0	0	0	0
Other long term liabilities	21,292	21,811	21,811	21,811	21,811
Long term provisions	800	1,135	1,135	1,135	1,135
Current Liab & Prov					
Short term borrowings	4,888	3,819	6,319	7,819	9,819
Other current liabilities	48,080	60,095	60,095	60,095	60,095
Trade payables	1,01,617	97,610	1,45,509	1,90,748	2,37,480
Total provisions	7,416	8,613	8,613	8,613	8,613
Total current Liabilities	1,62,001	1,70,137	2,20,536	2,67,275	3,16,007
Total Equity & Liabilities	7,01,608	7,33,943	8,31,392	9,43,548	10,77,809
Assets					
Net block	1,41,511	1,27,995	1,71,002	2,24,719	2,52,021
Capital WIP	11,923	26,391	24,391	28,391	32,391
Intangible Assets	5,217	6,402	6,402	6,402	6,402
Non current Investments	3,33,710	3,66,632	3,70,632	3,71,632	3,73,632
Other non current assets	363	370	370	370	370
Total fixed assets					
Current investments	84,157	41,001	62,001	78,001	1,28,001
Cash and Bank	323	320	2,675	4,027	7,805
Bank balance other than cash	30,042	30,042	30,042	30,042	30,042
Inventories	30,500	35,331	49,150	69,941	94,105
Trade receivables	12,766	20,301	35,569	50,866	73,883
Loan, Advances & others	230	305	305	305	305
Other current assets	22,788	40,512	40,512	40,512	40,512
Total current Assets	1,80,806	1,67,812	2,20,254	2,73,693	3,74,653
Total Assets	7,01,608	7,33,943	8,31,392	9,43,548	10,77,809

Cash Flow

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	51,594	45,823	98,020	1,43,461	1,94,384
Depreciation	30,315	27,865	30,993	36,283	42,698
Interest	1,008	1,259	1,400	1,600	1,800
Tax paid	-10,107	-11,769	-19,604	-28,692	-38,877
Other operating activities	-27,774	-17,168	0	0	0
Cash flow from operations (a)	88,388	17,912	1,29,622	1,61,802	1,99,556
Capital expenditure	-21,316	-32,057	-72,000	-94,000	-74,000
Chng in investments	-49,492	30,533	-25,000	-17,000	-52,000
Other investing activities	-2,031	-366	0	0	0
(Inc)/dec inIntangible assets	420	1,360	0	0	0
(Inc)/dec in Other non current assets	-2,587	-2,245	0	0	0
Cash flow from investing (b)	-72,839	-1,890	-97,000	-1,11,000	-1,26,000
Free cash flow (a+b)	15,549	16,022	32,622	50,802	73,556
Equity raised/(repaid)	0	0	0	0	0
Inc/dec in borrowings	3,723	-1,140	2,500	1,500	2,000
Dividend paid (incl. tax)	-18,125	-13,594	-31,367	-49,350	-69,978
Other financing activities	-1,006	-1,291	-1,400	-1,600	-1,800
Cash flow from financing (c)	-15,408	-16,025	-30,267	-49,450	-69,778
Net chng in cash (a+b+c)	141	-3	2,355	1,351	3,778
Closing cash & cash equivalents	323	320	2,675	4,027	7,805

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