

Maruti Suzuki | BUY

Healthy performance; demand sustainability remains key

MSIL's 3QFY24 EBITDA margin came in at 11.7% was in-line with JMFe. Sequential decline (120bps) was owing to negative operating leverage (seasonality) and higher discounts. Chip supplies have largely normalised, helping lower the order backlog (c.215k units). MSIL, with back-to-back SUV launches has strengthened its presence in the B-segment (regained leadership position with c.24% mkt. share). Healthy momentum in SUV/CNG portfolio is expected to drive vol. growth. Benefit of higher operating leverage and richer portfolio mix is expected to support margins going ahead. We estimate revenue / EPS CAGR of 13% / 23% over FY23-26E. While there are no immediate catalysts for the stock, sustained market share growth driven by a technology-agnostic approach is likely to drive investors' interest. We ascribe 25x PE to arrive at Mar'25 fair value of INR 12,250. Maintain BUY. Revival in entry-level segment remains a key monitorable.

- 3QFY24 – In-line margin performance:** MSIL reported net revenue of INR 333bn (+15% YoY, -10%QoQ), in-line with JMFe. 3Q wholesales stood at c.501k units (+8% YoY, -9%QoQ). Realization declined by c.2% QoQ (+6% YoY) owing to higher promotion expenses. Discount during the quarter stood at INR 23k vs. INR 17.7k in 2Q. EBITDAM came in at 11.7% (+200bps YoY, -120bps QoQ), broadly in-line with JMFe. Reported PAT stood at INR 31.3bn (+33%YoY, -16% QoQ).
- Demand environment:** Pending order book as at Dec'23 stands at c.215k units (vs. 250k units at the end of 2Q) led by higher demand for recent launches and CNG models. Normalisation of component supplies helped the company lower order backlog. Dealer inventory stands at an optimum level. The company indicated that demand for entry segment continues to remain muted and it is hopeful of recovery in this segment in the medium term. Overall, PV industry is expected to grow by low-to-mid single-digit in FY25 (SIAM est.) and MSIL is expected to grow ahead of the industry. With respect to exports, MSIL is targeting to grow export volumes by 3x (to c.750k units) by FY31. This is based on gradually increasing presence across regions and expanding product offerings. EV model launch in India is expected during CY24. MSIL also plans to export it to Japan and EU.
- Margin outlook:** EBITDA margin declined by c.120bps QoQ to 11.7% due to negative operating leverage (-110bps), higher discounts (-70bps) and Ad.expenses (-30bps) partially offset by favourable forex movement (+30bps), lower royalty (+30bps) and commodity costs (+10bps). Management indicated that recent increase in steel prices is expected to largely offset the benefit of softening precious metal prices. MSIL has taken a price increase of c.0.5% during Jan'24. Going forward, higher operating leverage, lower discounts, price hike and cost control efforts is expected to support margins.
- Other highlights:** 1) The company indicated that it will require capacity of 4mn cars p.a. by 2030-31. It plans to increase no. of model offerings from 18 currently to 28 by that time. 2) CNG / Hybrid penetration for industry stands at 16.5% / 2%. MSIL's CNG penetration stands at c.31%. 3) Additional 100k units capacity at Manesar plant is expected to be operational by Mar'24. Further, 250k units capacity addition at Kharkhoda plant is expected during FY25. 4) Share of first time buyers improved to c.41% in 3Q vs. 38% in 2Q. However, it is still below its previous peak of c.47% in 2021.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	12,250
Upside/(Downside)	20.3%
Previous Price Target	11,750
Change	4.3%

Key Data – MSIL IN

Current Market Price	INR10,187
Market cap (bn)	INR3,202.8/US\$38.6
Free Float	40%
Shares in issue (mn)	302.0
Diluted share (mn)	314.3
3-mon avg daily val (mn)	INR5,875.6/US\$70.8
52-week range	10,933/8,127
Sensex/Nifty	71,752/21,726
INR/US\$	83.0

Price Performance

%	1M	6M	12M
Absolute	-1.1	3.7	14.5
Relative*	-0.4	-3.8	-5.0

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	837,981	1,125,008	1,333,729	1,473,742	1,640,798
Sales Growth (%)	25.9	34.3	18.6	10.5	11.3
EBITDA	57,012	110,077	161,789	187,430	206,516
EBITDA Margin (%)	6.5	9.4	11.6	12.2	12.1
Adjusted Net Profit	37,663	80,492	128,401	145,601	155,056
Diluted EPS (INR)	124.7	266.5	408.5	463.2	493.3
Diluted EPS Growth (%)	-11.0	113.7	53.3	13.4	6.5
ROIC (%)	26.9	52.8	62.6	50.9	40.9
ROE (%)	7.1	14.1	17.9	16.4	15.4
P/E (x)	81.7	38.2	24.9	22.0	20.7
P/B (x)	5.7	5.1	3.8	3.4	3.0
EV/EBITDA (x)	46.5	23.8	15.1	12.8	11.4
Dividend Yield (%)	0.4	0.6	0.9	1.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 31/Jan/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

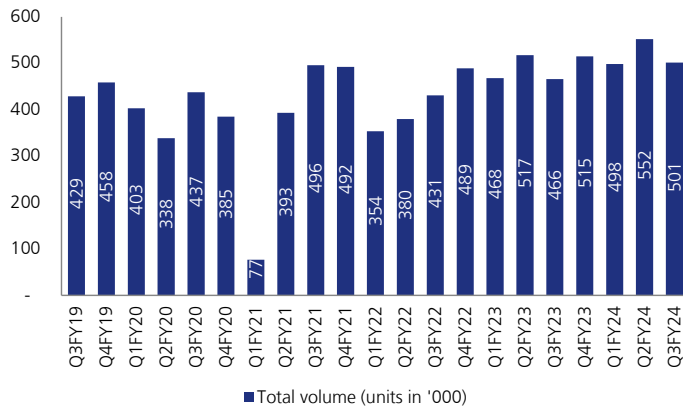
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Quarterly financial results

Particulars	Q3FY24	Q3FY23	% YoY	Q2FY24	% QoQ	Q3FY24E	% A/E
Total Volumes (Units)	501,207	465,911	7.6	552,055	-9.2	501,207	0.0
Average Realisation (Net)	635,666	597,736	6.3	643,688	-1.2	633,774	0.3
Financial Performance (INR mn)							
Sales	318,600	278,492	14.4	355,351	-10.3	317,652	0.3
Other Operating Income	14,487	11,951	21.2	15,270	-5.1	15,500	-6.5
Total Revenue	333,087	290,443	14.7	370,621	-10.1	333,152	0.0
Cost of Goods Sold	236,176	211,058	11.9	261,690	-9.7	238,239	-0.9
As a % of sales	70.9	72.7	-180bps	70.6	30bps	71.5	-60bps
Staff Cost	13,386	12,010	11.5	13,127	2.0	12,706	5.4
As a % of sales	4.0	4.1	-10bps	3.5	50bps	3.8	20bps
Other expenses	44,446	39,044	13.8	47,962	-7.3	43,518	2.1
As a % of sales	13.3	13.4	-10bps	12.9	40bps	13.1	30bps
Expenditure	294,008	262,112	12.2	322,779	-8.9	294,463	-0.2
EBITDA	39,079	28,331	37.9	47,842	-18.3	38,689	1.0
EBITDA Margin	11.7	9.8	200bps	12.9	-120bps	11.6	10bps
PAT (Adjusted)	31,300	23,513	33.1	37,165	-15.8	29,790	5.1
PAT Margin	9.4	8.1	130bps	10.0	-60bps	8.9	50bps
EPS	99.6	77.8	27.9	123.0	-19.1	94.8	5.1

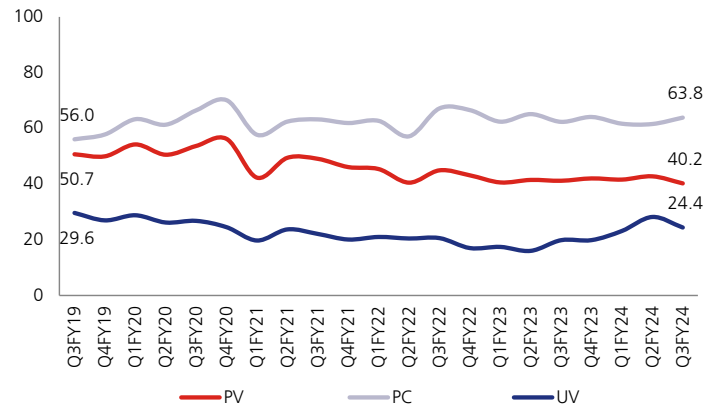
Source: Company, JM Financial

Exhibit 2. Total volume increased by c.8% YoY (-9% QoQ)



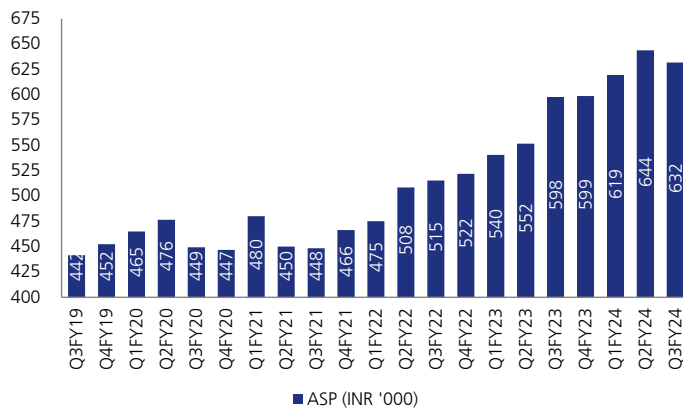
Source: Company, JM Financial

Exhibit 3. Domestic market share trend



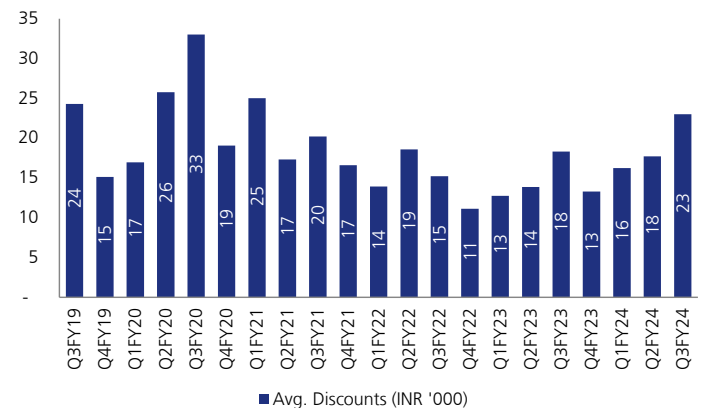
Source: Company, SIAM, JM Financial

Exhibit 4. ASP increased c.6% YoY (-2% QoQ)



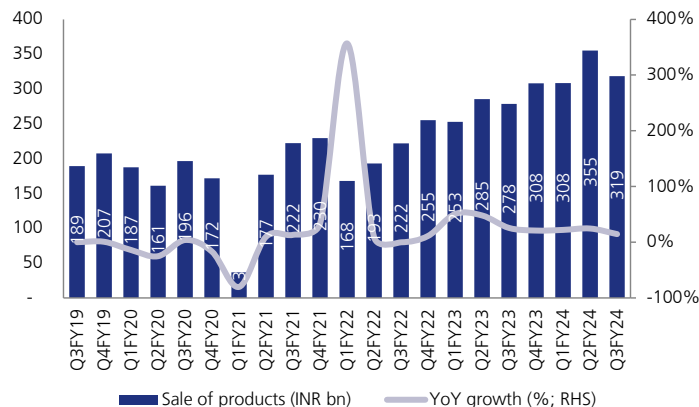
Source: Company, JM Financial

Exhibit 5. Discounts for 3QFY24 stood at ~INR 23k vs. ~INR 18k in 2Q



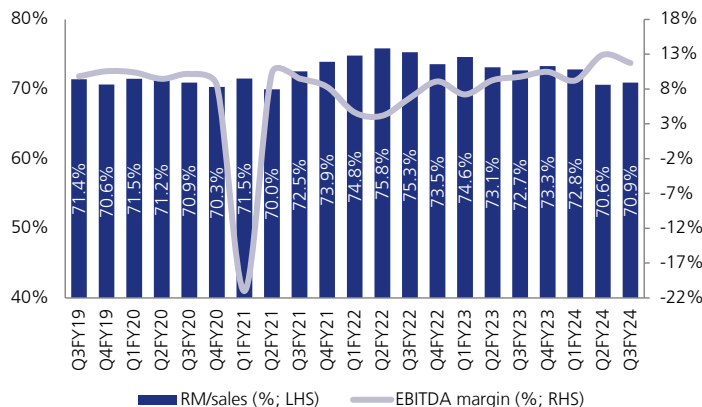
Source: Company, JM Financial

Exhibit 6. Sales increased c.14% YoY (-10% QoQ) led by health volume and ASP growth



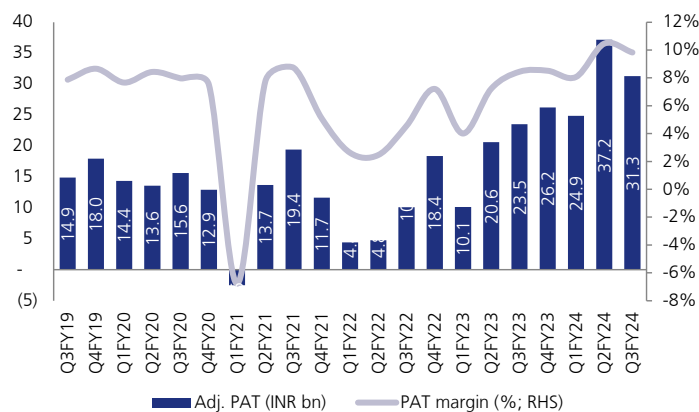
Source: Company, JM Financial

Exhibit 7. Reported EBITDAM declined c.120bps QoQ owing to negative operating leverage and higher discounts



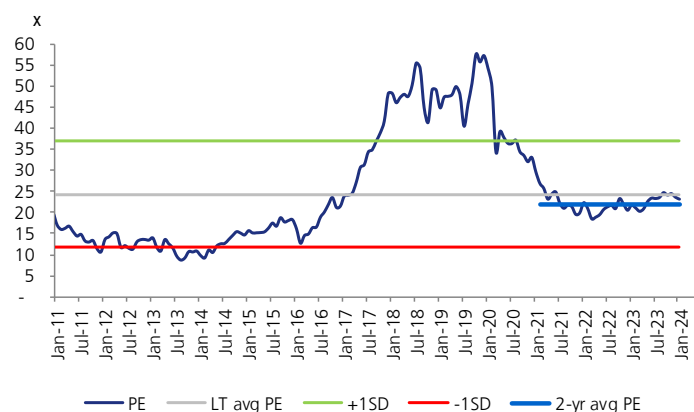
Source: Company, JM Financial

Exhibit 8. Adj. PAT grew c.33% YoY (-c.16% QoQ)



Source: Company, JM Financial

Exhibit 9. 1-year forward PE Chart



Source: Company, JM Financial

Exhibit 10. MSIL – change in assumptions

Particulars	New assumption			Old assumption			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Volume (units)	2,103,000	2,252,000	2,404,380	2,138,000	2,284,000	2,427,000	-1.6%	-1.4%	-0.9%
Revenue (INR mn)	1,393,747	1,538,586	1,712,173	1,400,806	1,537,584	1,669,280	-0.5%	0.1%	2.6%
EBITDA (INR mn)	161,789	187,430	206,516	161,138	181,148	200,408	0.4%	3.5%	3.0%
EBITDA margin (%)	11.6%	12.2%	12.1%	11.5%	11.8%	12.0%	10 bps	40 bps	10 bps
PAT (INR mn)	128,401	145,601	155,056	127,735	142,522	152,350	0.5%	2.2%	1.8%
EPS (INR)	408	463	493	406	453	485	0.5%	2.2%	1.8%

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	837,981	1,125,008	1,333,729	1,473,742	1,640,798	
Sales Growth	25.9%	34.3%	18.6%	10.5%	11.3%	
Other Operating Income	44,975	50,221	60,018	64,845	71,375	
Total Revenue	882,956	1,175,229	1,393,747	1,538,586	1,712,173	
Cost of Goods Sold/Op. Exp	660,373	862,435	1,004,298	1,103,833	1,235,521	
Personnel Cost	40,222	46,051	54,340	59,231	65,154	
Other Expenses	125,349	156,666	173,319	188,093	204,982	
EBITDA	57,012	110,077	161,789	187,430	206,516	
EBITDA Margin	6.5%	9.4%	11.6%	12.2%	12.1%	
EBITDA Growth	6.7%	93.1%	47.0%	15.8%	10.2%	
Depn. & Amort.	27,865	28,233	31,158	39,421	48,126	
EBIT	29,147	81,844	130,632	148,010	158,390	
Other Income	17,935	21,613	36,747	41,662	43,582	
Finance Cost	1,259	1,866	1,700	1,800	1,900	
PBT before Excep. & Forex	45,823	101,591	165,678	187,872	200,072	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	45,823	101,591	165,678	187,872	200,072	
Taxes	8,160	21,099	37,278	42,271	45,016	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	37,663	80,492	128,401	145,601	155,056	
Adjusted Net Profit	37,663	80,492	128,401	145,601	155,056	
Net Margin	4.3%	6.8%	9.2%	9.5%	9.1%	
Diluted Share Cap. (mn)	302.0	302.0	314.3	314.3	314.3	
Diluted EPS (INR)	124.7	266.5	408.5	463.2	493.3	
Diluted EPS Growth	-11.0%	113.7%	53.3%	13.4%	6.5%	
Total Dividend + Tax	13,594	18,120	28,289	31,432	0	
Dividend Per Share (INR)	45.0	60.0	90.0	100.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	45,823	101,591	165,678	187,872	200,072	
Depn. & Amort.	27,865	28,233	31,158	39,421	48,126	
Net Interest Exp. / Inc. (-)	1,259	1,866	1,700	1,800	1,900	
Inc (-) / Dec in WCap.	-30,970	10,476	31,220	8,856	12,306	
Others	0	0	0	0	0	
Taxes Paid	-8,160	-21,099	-37,278	-42,271	-45,016	
Operating Cash Flow	35,817	121,067	192,479	195,678	217,389	
Capex	-29,864	-68,785	-108,970	-128,970	-128,970	
Free Cash Flow	5,953	52,282	83,509	66,708	88,419	
Inc (-) / Dec in Investments	10,234	-69,931	-158,411	-30,000	-30,000	
Others	-1,259	-1,866	-1,700	-1,800	-1,900	
Investing Cash Flow	-20,889	-140,582	-269,081	-160,770	-160,870	
Inc / Dec (-) in Capital	0	0	62	0	0	
Dividend + Tax thereon	-13,594	-18,120	-28,289	-31,432	0	
Inc / Dec (-) in Loans	-1,117	8,284	0	0	0	
Others	-219	-634	128,351	0	-31,432	
Financing Cash Flow	-14,930	-10,470	100,124	-31,432	-31,432	
Inc / Dec (-) in Cash	-2	-29,985	23,522	3,475	25,086	
Opening Cash Balance	30,364	30,362	377	23,899	27,374	
Closing Cash Balance	30,362	377	23,899	27,374	52,460	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	540,860	603,820	832,345	946,513	1,070,137	
Share Capital	1,510	1,510	1,572	1,572	1,572	
Reserves & Surplus	539,350	602,310	830,773	944,941	1,068,565	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	4,189	12,473	12,473	12,473	12,473	
Def. Tax Liab. / Assets (-)	3,648	2,426	2,426	2,426	2,426	
Total - Equity & Liab.	548,697	618,719	847,244	961,412	1,085,036	
Net Fixed Assets	166,467	207,019	284,831	374,380	455,224	
Gross Fixed Assets	341,448	410,557	519,527	648,497	777,467	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	204,275	232,508	263,666	303,087	351,213	
Capital WIP	29,294	28,970	28,970	28,970	28,970	
Investments	407,633	477,564	635,975	665,975	695,975	
Current Assets	152,387	138,064	185,242	204,573	248,186	
Inventories	35,331	42,838	54,811	60,565	67,430	
Sundry Debtors	20,301	32,958	36,541	40,376	44,953	
Cash & Bank Balances	30,362	377	23,899	27,374	52,460	
Loans & Advances	25,511	21,782	26,675	29,475	32,816	
Other Current Assets	40,882	40,109	43,318	46,783	50,526	
Current Liab. & Prov.	177,790	203,928	258,805	283,517	314,349	
Current Liabilities	97,610	117,804	165,090	181,452	203,099	
Provisions & Others	80,180	86,124	93,715	102,065	111,250	
Net Current Assets	-25,403	-65,864	-73,563	-78,943	-66,163	
Total - Assets	548,697	618,719	847,244	961,412	1,085,036	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	4.3%	6.8%	9.2%	9.5%	9.1%	
Asset Turnover (x)	1.7	2.0	1.9	1.7	1.7	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE	7.1%	14.1%	17.9%	16.4%	15.4%	

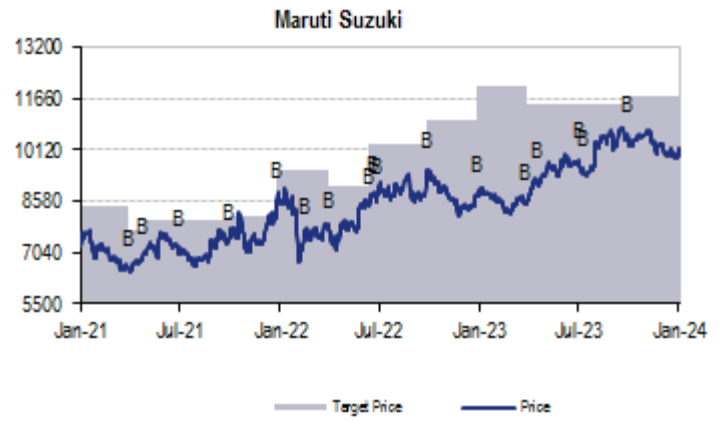
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	1,790.9	1,999.4	2,648.1	3,011.3	3,404.6	
ROIC	26.9%	52.8%	62.6%	50.9%	40.9%	
ROE	7.1%	14.1%	17.9%	16.4%	15.4%	
Net Debt/Equity (x)	-0.8	-0.8	-0.8	-0.7	-0.7	
P/E (x)	81.7	38.2	24.9	22.0	20.7	
P/B (x)	5.7	5.1	3.8	3.4	3.0	
EV/EBITDA (x)	46.5	23.8	15.1	12.8	11.4	
EV/Sales (x)	3.0	2.2	1.8	1.6	1.4	
Debtor days	8	10	10	10	10	
Inventory days	15	13	14	14	14	
Creditor days	43	40	49	49	49	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
3-Sep-20	Buy	6,300	
29-Oct-20	Buy	8,100	28.6
28-Jan-21	Buy	8,400	3.7
27-Apr-21	Buy	7,700	-8.3
25-May-21	Buy	8,000	3.9
28-Jul-21	Buy	8,000	0.0
27-Oct-21	Buy	8,100	1.3
26-Jan-22	Buy	9,500	17.3
16-Mar-22	Buy	9,500	0.0
29-Apr-22	Buy	9,050	-4.7
12-Jul-22	Buy	10,300	13.8
20-Jul-22	Buy	10,300	0.0
28-Jul-22	Buy	10,300	0.0
28-Oct-22	Buy	11,000	6.8
25-Jan-23	Buy	12,000	9.1
26-Apr-23	Buy	11,500	-4.2
15-May-23	Buy	11,500	0.0
31-Jul-23	Buy	11,500	0.0
8-Aug-23	Buy	11,500	0.0
27-Oct-23	Buy	11,750	2.2

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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