

Retail Equity Research

Maruti Suzuki India Limited

Automobile

BSE CODE: 532500

NSE CODE: MARUTI

Bloomberg CODE: MSIL:IN

SENSEX: 63,875

BUY

12 Months Investment Period Rating as per Large Cap
CMP Rs. 10,391 TARGET Rs. 11,427 RETURN 10%
(Closing: 31-10-23) 

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Steady top-line growth, margin improves.

Maruti Suzuki India Ltd (MSIL) is an automobile manufacturer in which Japanese car and motorcycle manufacturer Suzuki Motor Corporation (SMC) holds 56.2% ownership. MSIL is one of the largest passenger car companies in India and accounts for more than 50% of the domestic car market.

- In Q2FY24, MSIL's standalone revenue grew a significant 24.5% YoY to Rs 35,535cr, driven by a sharp rise in utility vehicles (UV) volume.
- EBITDA also surged 72.8% to Rs. 4,784cr and EBITDA margin widened 380bps YoY to 13.5% on account of a reduction in commodity prices, improvement in cost management, better capacity utilisation and realisation.
- Softening commodity prices and cost efficiencies, coupled with the upcoming festival season, should drive demand for vehicles and boost the company's growth in the near term. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 11,427 based on 25x FY25E adjusted EPS.

Uptick in UV volume drove sales

MSIL's revenue in Q2FY24 increased 24.5% YoY to Rs. 35,535cr owing to a surge in sales volume and higher selling prices. The average selling price grew 15% YoY. Domestic sales rose 6.3% YoY to 482,731 units, because of a massive 117.5% YoY jump in UV volume to 180,066 units. Passenger vehicles also witnessed an ~8% YoY growth, exceeding the industry's growth of around 5%. The company's market share in the SUV segment rose to an impressive 23.3% (vs. ~ 20% in Q1FY24) thanks to its strong product lineup. Export sales volume grew 9.7% YoY to 69,324 units. Passenger vehicles and SUV models — especially the Grand Vitara and Fronx — were the key to exports growth. After eight quarters, the company has controlled its production volume loss with sufficient supply of semiconductors.

Softening of input prices led to margin expansion

EBITDA rose 72.8% to Rs. 4,784cr on account of lower commodity prices, improvement in cost management, better capacity utilisation and realisation. EBITDA margin also expanded 380bps YoY to 13.5%. In addition, the reported profit after tax also surged 80.3% YoY (+49.6% QoQ) to Rs. 3,717cr, with higher non-operating income in the quarter.

Key concall highlights

- MSIL is integrating Suzuki Motor Gujarat (SMG), the Gujarat plant, enabling the company to operate in multiple locations and manufacture vehicles with powertrain technology.
- The company has started exporting Jimny 5-Door to Latin America, the Middle East and Africa. Additionally, it aims to triple its total export volume to 750,000-800,000 units by FY2030-31.
- MSIL's order book in the quarter stood at 250,000 units, which is lower than 355,000 units at the end of Q1FY24.

Valuation

MSIL registered strong quarterly earnings, with improved sales volume and margins. The company's efforts to optimise costs, improve capacity utilisation and take advantage of softening commodity prices should support future earnings potential. Additionally, with the semiconductor supplies easing and a surge expected in demand for vehicles during the upcoming festival season, the company's sales and margin should get a boost in the near term. We, therefore, reiterate our BUY rating on the stock with a revised target price of Rs. 11,427 based on 25x FY25E adjusted EPS.

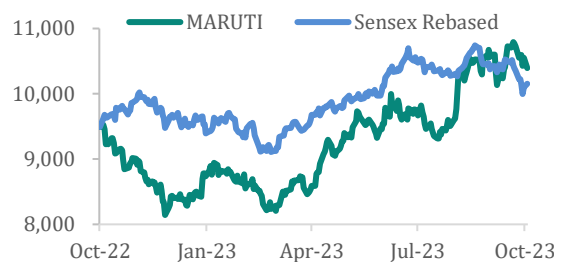
Company Data

Market Cap (cr)	Rs. 313,894
Enterprise Value (cr)	Rs. 313,790
Outstanding Shares (cr)	30.2
Free Float	44.0%
Dividend Yield	0.9%
52 week high	Rs. 10,846
52 week low	Rs. 8,077
6m average volume	17,930
Beta	0.6
Face value	Rs.5

Shareholding %	Q4FY23	Q1FY24	Q2FY24
Promoters	56.5	56.5	56.5
FII's	21.1	21.9	21.8
MFs/Insti	18.7	18.2	18.3
Public	3.6	3.3	3.2
Others	0.1	0.1	0.1
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	7.5%	21.0%	9.5%
Absolute Sensex	-3.6%	4.4%	6.4%
Relative Return*	11.1%	16.6%	3.1%

*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Sales	112,501	138,240	156,034
Growth (%)	34.3	22.9	12.9
EBITDA	11,008	16,124	18,769
EBITDA Margin (%)	9.8	11.7	12.0
Adj. PAT	8,049	11,987	13,808
Growth (%)	113.7	48.9	15.2
Adj. EPS	266.5	396.8	457.1
Growth (%)	113.7	48.9	15.2
P/E	31.1	26.2	22.7
P/B	4.1	4.6	4.1
EV/EBITDA	22.9	19.5	16.7
ROE (%)	13.3	17.6	17.9
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

	Q2FY24	Q2FY23	YoY Growth %	Q1FY24	QoQ Growth %	H1FY24	H1FY23	YoY Growth %
Revenue	35,535	28,544	24.5	30,845	15.2	66,380	53,830	23.3
EBITDA	4,784	2,769	72.8	2,983	60.4	7,767	4,681	65.9
EBITDA margins	13.5	9.7	380bps	9.7	380bps	11.7	8.7	300bps
Depreciation	794	723	9.9	748	6.2	1,542	1,374	12.2
EBIT	3,990	2,046	95.0	2,236	78.5	6,226	3,307	88.3
Interest	35	31	15.1	47	(24.5)	82	58	40.9
Other Income	844	613	37.7	1,001	(15.7)	1,845	701	163.2
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	-	-
PBT	4,799	2,628	82.6	3,190	50.4	7,989	3,950	102.2
Tax	1,082	567	90.9	705	53.5	1,787	876	104.1
Reported PAT	3,717	2,062	80.3	2,485	49.6	6,202	3,074	101.7
Minority Interest	-	-	-	-	-	-	-	-
PAT att. to shareholders	3,717	2,062	80.3	2,485	49.6	6,202	3,074	101.7
Adjustments	-	-	-	-	-	-	-	-
Adj. PAT	3,717	2,062	80.3	2,485	49.6	6,202	3,074	101.7
No. of shares	30.2	30.2	-	30.2	-	30.2	30.2	-
Adj. EPS (Rs.)	123.0	68.2	80.3	82.3	49.6	205.3	101.8	101.7

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	135,736	161,443	138,240	156,034	1.8	(3.4)
EBITDA	14,800	17,782	16,124	18,769	8.9	5.6
Margins (%)	10.9	11.0	11.7	12.0	76bps	103bps
Adj. PAT	10,969	12,945	11,987	13,808	9.3	6.7
Adj. EPS	363.1	428.5	396.8	457.1	9.3	6.7

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	66,562	83,798	112,501	138,240	156,034
% change	(7.2)	25.9	34.3	22.9	12.9
EBITDA	5,345	5,701	11,008	16,124	18,769
% change	(26.8)	6.7	93.1	46.5	16.4
Depreciation	3,032	2,787	2,823	2,991	3,478
EBIT	2,314	2,915	8,184	13,133	15,291
Interest	101	126	187	176	58
Other Income	2,946	1,794	2,161	3,026	3,177
PBT	5,159	4,582	10,159	15,982	18,410
% change	(27.0)	(11.2)	121.7	57.3	15.2
Tax	930	816	2,110	3,996	4,603
Tax Rate (%)	18.0	17.8	20.8	25.0	25.0
Reported PAT	4,230	3,766	8,049	11,987	13,808
PAT att. to common shareholders	4,230	3,766	8,049	11,987	13,808
Adj*	-	-	-	-	-
Adj PAT	4,230	3,766	8,049	11,987	13,808
% change	(25.1)	(11.0)	113.7	48.9	15.2
No. of shares (cr)	30.2	30.2	30.2	30.2	30.2
Adj EPS (Rs.)	140.0	124.7	266.5	396.8	457.1
% change	(25.1)	(11.0)	113.7	48.9	15.2
DPS (Rs.)	45.0	60.0	90.0	139.0	160.0

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	7,261	6,553	10,873	14,978	17,285
Non-cash adj.	(1,963)	(3,122)	(1,644)	606	(979)
Changes in W.C	3,540	(1,640)	(1)	471	(1,008)
C.F. Operation	8,839	1,791	9,228	16,055	15,298
Capital exp.	(2,328)	(3,323)	(6,247)	(8,050)	(8,404)
Change in inv.	(5,036)	2,907	(1,991)	(2,627)	(1,511)
Other invest.CF	80	226	221	0	-
C.F - Investment	(7,284)	(189)	(8,018)	(10,676)	(9,915)
Issue of equity	-	-	-	-	-
Issue/repay debt	383	(107)	834	(851)	(7)
Dividends paid	(1,813)	(1,359)	(1,813)	(4,199)	(4,833)
Other finance.CF	(111)	(136)	(230)	147	(349)
C.F - Finance	(1,541)	(1,603)	(1,208)	(4,903)	(5,190)
Chg. in cash	14	(0)	1	475	193
Closing cash	3,036	3,036	38	513	706

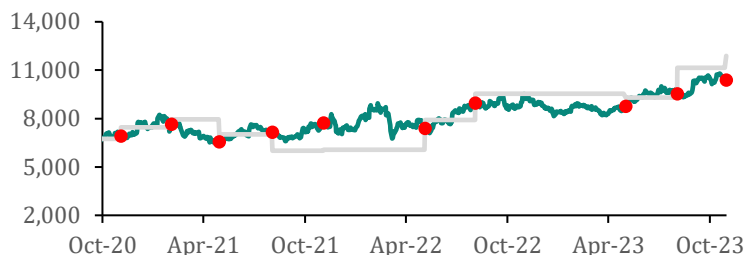
BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	3,036	3,036	38	513	706
Accounts Receivable	1,277	2,030	3,296	4,493	5,305
Inventories	3,050	3,533	4,284	4,715	5,381
Other Cur. Assets	10,718	8,182	3,983	3,501	4,169
Investments	33,371	36,663	47,756	50,383	51,894
Gross Fixed Assets	30,488	31,235	37,483	45,532	53,936
Net Fixed Assets	14,733	13,367	17,257	21,580	25,702
CWIP	1,192	2,639	2,808	3,512	4,182
Intangible Assets	522	640	637	669	802
Def. Tax (Net)	-	-	-	-	-
Other Assets	2,263	3,303	3,120	3,182	3,557
Total Assets	70,161	73,394	83,179	92,546	101,698
Current Liabilities	15,711	16,632	18,884	20,982	21,453
Provisions	45	83	88	96	101
Debt Funds	489	382	1,216	365	357
Other Liabilities	2,549	2,211	2,610	2,933	2,642
Equity Capital	151	151	151	151	151
Reserves & Surplus	51,216	53,935	60,231	68,019	76,993
Shareholder's Fund	51,367	54,086	60,382	68,170	77,144
Minority Interest	-	-	-	-	-
Total Liabilities	70,161	73,394	83,179	92,546	101,698
BVPS (Rs.)	1,700	1,790	1,999	2,257	2,554

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	8.0	6.8	9.8	11.7	12.0
EBIT margin (%)	3.5	3.5	7.3	9.5	9.8
Net profit mgn.(%)	6.4	4.5	7.2	8.7	8.8
ROE (%)	8.2	7.0	13.3	17.6	17.9
ROCE (%)	4.5	5.4	13.3	19.2	19.7
W.C & Liquidity					
Receivables (days)	7.0	8.8	10.7	11.9	12.4
Inventory (days)	21.9	19.5	18.1	16.2	16.4
Payables (days)	73.0	54.0	49.9	47.8	43.8
Current ratio (x)	1.1	1.0	0.6	0.6	0.7
Quick ratio (x)	0.8	0.5	0.2	0.2	0.3
Turnover & Leverage					
Gross asset T.O (x)	2.2	2.7	3.3	3.3	3.1
Total asset T.O (x)	1.0	1.2	1.4	1.6	1.6
Int. coverage ratio (x)	23.0	23.2	43.9	74.5	262.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	3.1	2.7	2.2	2.3	2.0
EV/EBITDA (x)	38.3	39.6	22.9	19.5	16.7
P/E (x)	49.0	60.6	31.1	26.2	22.7
P/BV (x)	4.0	4.2	4.1	4.6	4.1

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
29-Apr-21	HOLD	7,013
3-Aug-21	REDUCE	6,000
3-Nov-21	REDUCE	6,069
5-May-22	HOLD	7,916
4-Aug-22	HOLD	9,538
2-May-23	HOLD	9,299
3-Aug-23	BUY	11,142
01-Nov-23	BUY	11,427

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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