

Retail Equity Research

Maruti Suzuki India Limited

Automobile

BSE CODE: 532500

NSE CODE: MARUTI

Bloomberg CODE: MSIL:IN

SENSEX: 72,086

BUY

12 Months Investment Period Rating as per Large Cap

CMP Rs. 10,652 TARGET Rs. 11,809 RETURN 11% ↑

(Closing: 02-02-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Strong results, outlook positive

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.

- MSIL's standalone revenue in Q3FY24, improved by 14.4% YoY to Rs 31,860cr, backed by strong volume growth in utility vehicles (UV).
- EBITDA was up by 37.9% YoY to Rs. 3,908cr and EBITDA margin expanded 209bps YoY to 12.3% due to reduction in commodity prices, better realisations and improved capacity utilisation.
- The company reported robust results in Q3FY24. Strong market position combined with softening of raw material costs, focus on cost optimization, and improved operational efficiency is expected to aid margins in future. Therefore, we reiterate our BUY rating on the stock with a rolled forward target price of Rs. 11,809 based on 24x FY26E adjusted EPS.

Topline driven by UV volume growth

MSIL's revenue in Q3FY24 increased 14.4% YoY to Rs. 31,860cr owing to improved sales volume and better realisations in the market. Domestic sales rose 6.3% YoY to 429,422 units and contributed 86% of the total volume. Such growth was backed by strong growth in utility vehicles (up 59.6% YoY). Vans grew (24.8% YoY). The small car segment continued to remain muted and passenger vehicles sales volume fell 16.0% YoY. Aided by a strong SUV lineup, the company's market share in SUV segment improved to ~21%. Highest ever annual sales at over 269,000 units for CY23. In Q3FY24, Highest ever quarterly export sales were reported by company at 71,785 units (up 15.8% YoY). MSIL maintained its position as the largest exporter of passenger vehicle from India.

Muted prices continue to aid margins

EBITDA rose 37.9% to Rs. 3,908cr primarily due to fall in commodity prices, refined capacity utilisation and better realisations. Further, focus on cost optimization and improving operational efficiency helped margins growth. EBITDA margin also increased by 209bps YoY to 12.3%. The company reported profit after tax with a growth of 33.1% YoY to Rs. 3,130cr.

Key concall highlights

- MSIL concluded Suzuki Motor, Gujarat by receiving votes of over 98% shareholders in favour of the proposition.
- The highest ever quarterly sales of CNG vehicles at over 127,000 units were witnessed in Q3FY24.
- MSIL for the first time recorded a landmark annual sale of 2 million units in calendar year 2023. Further, the company recorded the highest ever volume, sales and net profit on a 9-month basis.

Valuation

MSIL recorded the highest ever sales, volume and profit on a 9-month basis in the quarter ended December 2023 backed by robust volume growth. With the company focusing on improving operational efficiency and on cost optimization, margins are expected to improve in the near future. Improvement in market share, strong market holding, and dampened input prices are expected to boost performance in the near term. We, therefore, reiterate our BUY rating on the stock with a rolled forward target price of Rs. 11,809 based on 24x FY26E adjusted EPS.

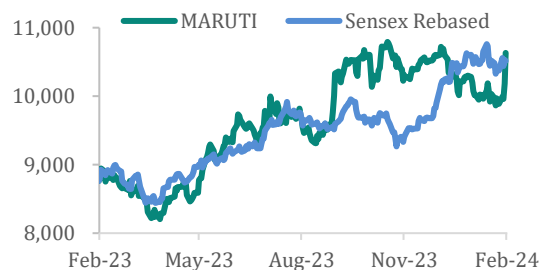
Company Data

Market Cap (cr)	Rs. 228,370
Enterprise Value (cr)	Rs. 334,176
Outstanding Shares (cr)	30.7
Free Float	44.0%
Dividend Yield	0.8%
52 week high	Rs. 10,930
52 week low	Rs. 8,127
6m average volume (lacs)	0.2
Beta	0.5
Face value	Rs. 5

Shareholding %	Q1FY24	Q2FY24	Q3FY24
Promoters	56.5	56.5	58.2
FII's	21.9	21.8	20.6
MFs/Insti	18.2	18.3	17.8
Public	3.3	3.2	3.3
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	3.3%	10.4%	20.1%
Absolute Sensex	12.5%	9.6%	20.3%
Relative Return*	-9.1%	0.8%	-0.2%

*over or under performance to benchmark index



Standalone (cr)	FY24E	FY25E	FY26E
Sales	136,857	151,276	166,228
Growth (%)	21.6	10.5	9.9
EBITDA	16,335	18,367	20,556
EBITDA Margin (%)	11.9	12.1	12.4
Adj. PAT	12,782	14,152	15,470
Growth (%)	58.8	10.7	9.3
Adj. EPS	406.6	450.1	492.1
Growth (%)	52.6	10.7	9.3
P/E	26.2	23.7	21.6
P/B	4.9	4.3	3.8
EV/EBITDA	20.5	18.2	16.0
ROE (%)	18.6	18.2	17.6
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

	Q3FY24	Q3FY23	YoY Growth %	Q2FY24	QoQ Growth %	9MFY24	9MFY23	YoY Growth %
Revenue	31,860	27,849	14.4	35,535	(10.3)	98,240	81,679	20.3
EBITDA	3,908	2,833	37.9	4,784	(18.3)	11,675	7,514	55.4
EBITDA margins	12.3	10.2	210bps	13.5	(120bps)	11.9	9.2	270bps
Depreciation	752	710	5.9	794	(5.3)	2,293	2,084	10.0
EBIT	3,156	2,123	48.7	3,990	(20.9)	9,382	5,430	72.8
Interest	35	30	19.6	35	0.9	117	88	33.7
Other Income	933	861	8.4	844	10.6	2,778	1,562	77.9
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	-	-
PBT	4,054	2,954	37.2	4,799	(15.5)	12,043	6,904	74.4
Tax	924	603	53.2	1,082	(14.6)	2,711	1,479	83.3
Reported PAT	3,130	2,351	33.1	3,717	(15.8)	9,332	5,426	72.0
Minority Interest	-	-	-	-	-	-	-	-
PAT att. to shareholders	3,130	2,351	33.1	3,717	(15.8)	9,332	5,426	72.0
Adjustments	-	-	-	-	-	-	-	-
Adj. PAT	3,130	2,351	33.1	3,717	(15.8)	9,332	5,426	72.0
No. of shares	30.7	30.2	1.7	30.2	1.7	30.7	30.2	1.7
Adj. EPS (Rs.)	101.9	77.8	30.9	123.0	(17.2)	303.8	179.6	69.1

Change in Estimates

Year / Rs. cr	Old estimates		New estimates			Change %	
	FY24E	FY25E	FY24E	FY25E	FY26E	FY24E	FY25E
Revenue	138,240	156,034	136,857	151,276	166,228	(1)	(3)
EBITDA	16,124	18,769	16,335	18,367	20,556	1.3	(2.1)
Margins (%)	11.7	12.0	11.9	12.1	12.4	20bps	10bps
Adj. PAT	11,987	13,808	12,782	14,152	15,470	6.6	2.5
Adj. EPS	396.8	457.1	406.6	450.1	492.1	2.5	(1.5)

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	83,798	112,501	136,857	151,276	166,228
% change	25.9	34.3	21.6	10.5	9.9
EBITDA	5,701	11,008	16,335	18,367	20,556
% change	6.7	93.1	48.4	12.4	11.9
Depreciation	2,787	2,823	2,991	3,467	4,099
EBIT	2,915	8,184	13,344	14,901	16,457
Interest	126	187	152	73	71
Other Income	1,794	2,161	3,890	4,085	4,289
PBT	4,582	10,159	17,082	18,913	20,674
% change	(11.2)	121.7	68.1	10.7	9.3
Tax	816	2,110	4,300	4,760	5,204
Tax Rate (%)	17.8	20.8	25.2	25.2	25.2
Reported PAT	3,766	8,049	12,782	14,152	15,470
PAT att. to common shareholders	3,766	8,049	12,782	14,152	15,470
Adj*	-	-	-	-	-
Adj PAT	3,766	8,049	12,782	14,152	15,470
% change	(11.0)	113.7	58.8	10.7	9.3
No. of shares (cr)	30.2	30.2	31.4	31.4	31.4
Adj EPS (Rs.)	124.7	266.5	406.6	450.1	492.1
% change	(11.0)	113.7	52.6	10.7	9.3
DPS (Rs.)	60.0	90.0	142.0	158.0	172.0

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Depn.	6,553	10,873	15,774	17,619	19,570
Non-cash adj.	(3,122)	(1,644)	597	(920)	(795)
Changes in W.C	(1,640)	(1)	424	(1,247)	2,464
C.F. Operation	1,791	9,228	16,795	15,453	21,238
Capital exp.	(3,323)	(6,247)	(7,970)	(8,151)	(8,971)
Change in inv.	2,907	(1,991)	(2,627)	(1,511)	(1,557)
Other invest.CF	226	221	-	(0)	-
C.F - Investment	(189)	(8,018)	(10,596)	(9,663)	(10,527)
Issue of equity	-	-	-	-	-
Issue/repay debt	(107)	834	(851)	(7)	(7)
Dividends paid	(1,359)	(1,813)	(4,465)	(4,968)	(5,408)
Other finance.CF	(136)	(230)	171	(364)	(333)
C.F - Finance	(1,603)	(1,208)	(5,144)	(5,339)	(5,748)
Chg. in cash	(0)	1	1,054	451	4,963
Closing cash	3,036	38	1,092	1,543	6,506

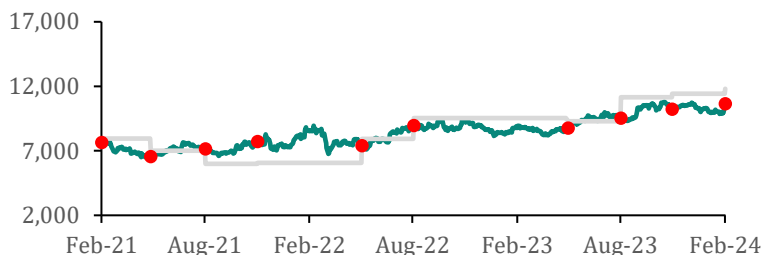
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	3,036	38	1,092	1,543	6,506
Accounts Receivable	2,030	3,296	4,448	5,143	4,987
Inventories	3,533	4,284	4,668	5,391	6,370
Other Cur. Assets	8,182	3,983	3,485	4,108	4,560
Investments	36,663	47,756	50,383	51,894	53,451
Gross Fixed Assets	31,235	37,483	45,452	53,604	62,574
Net Fixed Assets	13,367	17,257	21,511	25,425	29,477
CWIP	2,639	2,808	3,500	4,137	4,796
Intangible Assets	640	637	669	802	963
Def. Tax (Net)	-	-	-	-	-
Other Assets	3,303	3,120	3,182	3,557	3,976
Total Assets	73,394	83,179	92,937	102,001	115,086
Current Liabilities	16,632	18,884	20,844	21,016	24,302
Provisions	83	88	96	101	106
Debt Funds	382	1,216	365	357	350
Other Liabilities	2,211	2,610	2,933	2,642	2,380
Equity Capital	151	151	151	151	151
Reserves & Surplus	53,935	60,231	68,549	77,734	87,796
Shareholder's Fund	54,086	60,382	68,700	77,885	87,947
Minority Interest	-	-	-	-	-
Total Liabilities	73,394	83,179	92,937	102,001	115,086
BVPS (Rs.)	1,790	1,999	2,185	2,477	2,797

RATIOS

Y.E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	6.8	9.8	11.9	12.1	12.4
EBIT margin (%)	3.5	7.3	9.8	9.9	9.9
Net profit mgn.(%)	4.5	7.2	9.3	9.4	9.3
ROE (%)	7.0	13.3	18.6	18.2	17.6
ROCE (%)	5.4	13.3	19.3	19.0	18.6
W.C & Liquidity					
Receivables (days)	8.8	10.7	11.9	12.4	11.0
Inventory (days)	19.5	18.1	16.2	17.0	18.3
Payables (days)	54.0	49.9	47.8	43.8	49.3
Current ratio (x)	1.0	0.6	0.6	0.8	0.9
Quick ratio (x)	0.5	0.2	0.3	0.3	0.5
Turnover & Leverage					
Gross asset T.O (x)	2.7	3.3	3.3	3.1	2.9
Total asset T.O (x)	1.2	1.4	1.6	1.6	1.5
Int. coverage ratio (x)	23.2	43.9	87.8	204.3	230.2
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	2.7	2.2	2.4	2.2	2.0
EV/EBITDA (x)	39.6	22.9	20.5	18.2	16.0
P/E (x)	60.6	31.1	26.2	23.7	21.6
P/BV (x)	4.2	4.1	4.9	4.3	3.8

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
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
1-Nov-23	BUY	11,427
5-Feb-24	BUY	11,809

Source: Bloomberg, Geojit research

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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