

Strong performance with 11.7% EBITDA margin

Maruti Suzuki's Q3FY24 print was in-line with our estimates. Revenue/EBITDA/PAT grew 14.7%/39.9%/33.1%. Overall volumes grew 7.6% backed by 6.3%/15.8% growth in domestic and international business. Strong SUV lineup helped in achieving market share of ~21% in the SUV segment, yet register highest ever CNG volume with 16.5% mix in Q3. Management alluded strong performance led by, (1) improved consumer sentiment around festivals, (2) better product mix of SUV's and CNG/Hybrid/EV in fuel, and (3) surge in export volumes. Inventory level after de-stocking in Dec'23 stood at 45K, while pending order backlog stood at ~215K units. Gross margin inched up to 29.1% (176bp) YoY, driven by a better mix and stable commodity prices but offset by higher discounts (3.5% of ASP – Rs23.3k/unit). Despite higher A&P spend (100bp), other exp. (+13.8%), employee cost (+11.6%) EBITDA margin rise to 11.7% (198bp). Management expects low single digit volume growth in PV industry (~4.3mn) due to weakness in Mini/compact, though MSIL would outperform industry in our view. We hold earnings and remain upbeat on MSIL's operating performance and maintain BUY rating with TP of Rs15,082 (implying 28.9x avg. FY25E/FY26E EPS).

Demand Skewed towards SUV's led to net better realization ~7%, visible pain in hatchbacks MSIL reported Q3FY24 consol. revenue of Rs333.1bn (+14.7%) YoY. MSIL overall volume grew 7.6% backed by SUV volume growth 59.6%, while mini+compact/sedan volumes declined by 16% YoY, SUV's contribution increased from 20.7% to 30.7% in 3QFY24. Our channel check indicate Grand Vitara in UV's and CNG vehicle getting strong consumer traction. Management alluded resilient performance to, (1) first time buyer mix reached to 41%, (2) small car segment shrinking both in absolute and percentage terms, though improved around festival season, (2) CNG mix was 16.5%, (3) improved product mix of SUV's, and (4) surge in export driven by Africa and Middle East. Inventory level after de-stocking in Dec'23 stood at 45K, while pending order backlog stood at ~215K units.

Multiple tailwinds lead to margin expansion

Gross margin inched up to 29.1% (176bp) YoY, driven by a better mix and stable commodity prices but offset by higher discounts (3.5% of ASP – Rs23.3k/unit). Despite higher A&P spend (100bp), other exp. (+13.8%), employee cost (+11.6%) EBITDA margin rise to 11.7% (198bp). PAT margin rise to 9.4% despite higher interest expenses (+19.6%) and other income. We reckon MSIL benefited from structural tailwinds led by, (1) richer product mix (2) benign steel and precious metal prices, (3) favorable FX. We expect with 0.4% price increases in Jan24 and launch of BEV, mid-size SUV with higher range of 550km (battery of 60kWh) in the domestic market may influence stable margins in FY25 as well.

Valuation and risk – maintained BUY rating with target price of 15,082

As argued in our initiating coverage with renewed focus on fuel efficient models such as CNG/hybrid and strong line-up for SUVs despite short term weakness in hatchback segment, we expect Maruti Suzuki's performance to be driven by, (1) reshaping of portfolio driven by SUVs, (2) visibility on EV entry in FY25, and (3) consolidation of SMG. We believe Greenfield plant in Kharkhoda, Gujarat and additional EV line in SMG will create synergy and help MSIL to secure 4mn capacity by FY2030-31. Given strong growth and margin expansion in 9MFY24 we remain upbeat on MSIL operating performance and maintain BUY rating with TP of Rs15,082 (implying 28.9x avg. FY25E/FY26E EPS). Risks: Rising commodity price and renewed competition in SUV.

Financial and valuation summary

YE Mar (Rs mn)	3QFY24A	3QFY23A	YoY (%)	2QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	3,18,600	2,78,492	14.4	3,55,351	(10.3)	13,76,158	15,54,308	17,60,228
EBITDA	39,079	28,331	37.9	47,842	(18.3)	1,63,971	1,91,816	2,17,005
EBITDA margin (%)	11.7	9.8	198bp	12.9	(118bp)	11.4	11.8	11.8
Adj. Net profit	31,300	23,513	33.1	37,165	(15.8)	1,31,772	1,48,765	1,65,919
Adj. EPS (Rs)	99.6	77.9	27.9	123.1	(19.1)	436.3	492.6	549.4
EPS growth (%)						63.7	12.9	11.5
PE (x)						24.4	21.6	19.4
EV/EBITDA (x)						19.5	16.3	14.4
PBV (x)						4.6	4.0	3.5
RoE (%)						20.2	19.8	19.2
RoCE (%)						20.2	19.8	19.2

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Market Data

Bloomberg:	MSIL IN
52 week H/L:	10,933/8,127
Market cap:	Rs0.0bn
Shares Outstanding:	314.4mn
Free float:	39.8%
Avg. daily vol. 3mth:	5,95,135

Source: Bloomberg

Changes in the report

Rating:	Unchanged
Target price:	Unchanged
EPS:	Unchanged

Source: Centrum Broking

Shareholding pattern

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	58.2	56.5	56.5	56.5
FII's	20.6	21.9	21.9	21.1
DII's	17.8	18.3	18.2	18.7
Public/other	3.4	3.4	3.4	3.7

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY24	Actual Q3FY24	Variance (%)
Revenue	3,40,510	3,33,087	(2.2)
EBITDA	38,478	39,079	1.6
EBITDA margin	11.3	11.7	43bp
Other Income	9,469	9,330	(1.5)
Interest	326	354	8.7
Depreciation	7,882	7,517	(4.6)
PBT	39,739	40,538	2.0
Tax	8,941	9,238	3.3
Rep. PAT	30,798	31,300	1.6
Adj. PAT	30,798	31,300	1.6

Source: Bloomberg, Centrum Broking



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Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	13,76,158	13,76,158	0.0	15,54,308	15,54,308	0.0
EBITDA	1,63,971	1,63,971	0.0	1,91,816	1,91,816	0.0
EBITDA margin	11.9	11.9	0bp	12.3	12.3	0bp
Adj. PAT	1,31,772	1,31,772	0.0	1,48,765	1,48,765	0.0
Diluted EPS (Rs)	436.3	436.3	0.0	492.6	492.6	0.0

Source: Centrum Broking

Maruti Suzuki India vs. NIFTY 50

	1m	6m	1 year
MSIL IN	4.5	10.4	20.1
NIFTY 50	0.7	12.0	22.4

Source: Bloomberg, NSE

Key assumptions

YE Mar	FY24E	FY25E
Volumes growth YoY	10.4%	7.7%
Average realisation growth YoY	10.8%	4.9%
EBITDA Margins	11.4%	11.6%

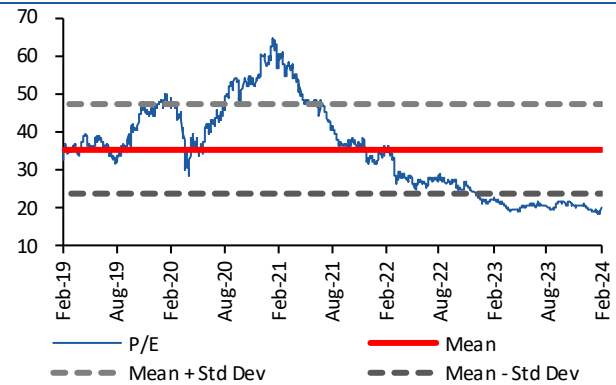
Source: Centrum Broking

Valuations

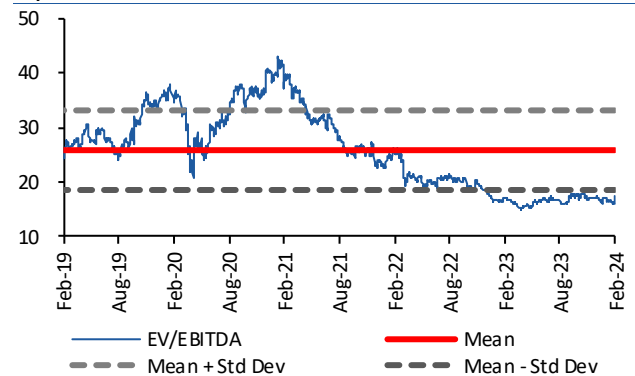
As argued in our initiating coverage with renewed focus on fuel efficient models such as CNG/hybrid and strong line-up for SUVs despite short term weakness in hatchback segment, we expect Maruti Suzuki's performance to be driven by, (1) reshaping of portfolio driven by SUVs, (2) visibility on EV entry in FY25, and (3) consolidation of SMG. We believe Greenfield plant in Karkhoda, Gujarat and additional EV line in SMG will create synergy and help MSIL to secure 4mn capacity by FY2030-31. Given strong growth and margin expansion in 9MFY24 we remain upbeat on MSIL operating performance and maintain BUY rating with TP of Rs15,082 (implying 28.9x avg. FY25E/FY26E EPS). Risks: Rising commodity price and renewed competition in SUV.

Valuations	Rs/share
DCF based target price (Rs)	15,082
WACC (%)	9.3
Terminal growth (%)	5.3

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs Bn)	CAGR (FY23 - 26E)				P/E (x)			EV/EBITDA (x)			ROE		
		Sales	EBITDA	EPS	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	
MSIL	3,350	13.0	15.0	12.2	40.0	24.4	21.6	29.3	19.5	16.3	14.1	20.2	19.8	
Tata motors	3,218	8.4	9.5	29.4	113.6	18.0	15.0	8.2	6.8	6.2	5.4	32.3	28.9	
M & M	2,065	9.5	10.5	7.6	31.8	19.5	18.3	14.8	14.8	13.2	15.9	21.1	19.1	

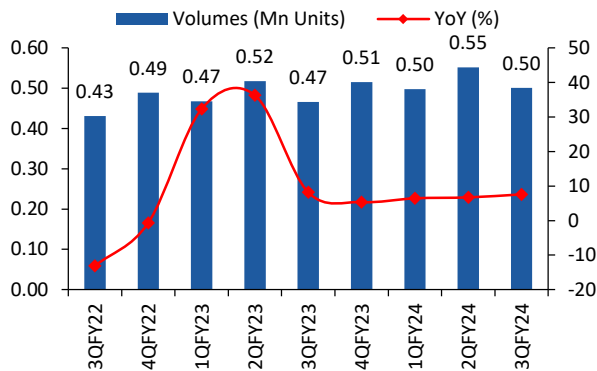
Source: Company, Centrum Broking

Conference call Highlights

Overview

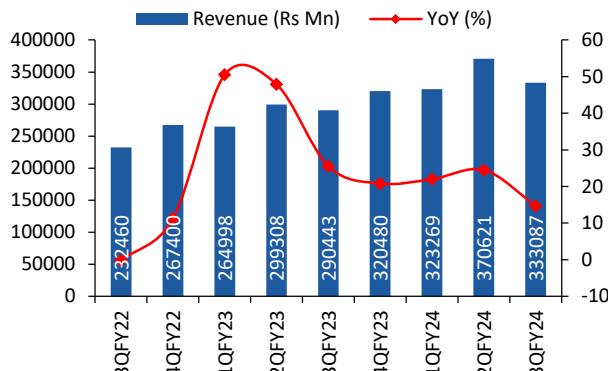
- Revenue grew 14.7% YoY to Rs333.1bn, MSIL continued strong growth momentum on back improved consumer sentiment, long festival/wedding season and discounting though lacklustre demand post festivity led to increase in inventory level, though second half saw weakness demand leading to higher discount to cut system inventory
- MSIL reported sales volume 501,207, 7.6% growth YoY, domestic/International volume grew 6.3%/15.8%
- SUV volume grew 59.6% to 154,120 units while mini & compact volume declined by 16% to 2,19,628 units for Q3FY24
- Strong SUV line-up helped in achieving market share of ~21% in SUV segment end of 9MFY24, yet highest ever quarterly sales of CNG vehicles of 127,000 units was witnessed in Q3
- MSIL archived highest ever quarterly export 71,000 units and annual exports of 269,000+ units in CY2023
- The PV industry growth is expected to be in low single digit YoY in FY25 and the management foresees industry to record ~4.18/4.3 Mn vehicles respectively in FY24/25E. This will be led by continued expansion of the UV in the segment sales mix; higher export volumes and higher share of CNG/Hybrid/EV in the fuel mix
- The company is on course to start production of battery electric vehicle (BEV) eVX in CY25 catering to the premium segment customer profile. The BEV has a range of 550 km and 60 kWh battery pack.
- The management further informed that BEVs would also be produced with the intent to be exported to developed nations like Japan and Europe. The management intends to increase the product portfolio to 28 vehicles by FY30E
- Exports are expected to grow in future years with demand from Latin America, the Middle East, and Africa on account of favourable FTA's between the countries and it expects to increase exports to ~750k units by FY30E.
- The management informed of some logistical challenges due to the ongoing crisis in the Red Sea which may result in increased lead time for dispatched in Q4FY24
- RM basket is a mixed bag with precious metal prices easing/stable while steel prices slightly inching up
- The improvement of CGD infrastructure (new pumps) in new geographies is helping in growth of CNG vehicles. CNG penetration for the company stood at ~41% and for some models: Ertiga at 57% CNG, WagonR at 50%, Dzire at 44%
- In Q3FY24 MSIL sold over 127k CNG units taking the contribution to 30% of the sales mix. In terms of fuel type, the share of CNG vehicles in the industry has further expanded to about 16.5% in Q3
- Hybrid vehicles have also seen good traction and now the share of hybrid vehicles is at 2%
- Discounts for the quarter stood higher at ~Rs23,300 vs ~Rs17,700 per vehicle in Q2FY24
- The company has taken a price hike of 0.45% across all models in Jan'24
- Gross margin improved by 176bp to 29.1% on back of softening of Commodity prices, improved capacity utilisation, cost reduction efforts and better realisation
- EBITDA increased by 37.9% to Rs39.1bn despite, higher other exp. (+13.8%), employee cost (+11.6%) and Higher sales promotion and advertisement expenses
- EBITDA margin improved by 198bp to 11.7% on back of richer product mix and cost reduction efforts
- Net profit increased 33.1% to to Rs31.3bn despite higher interest expenses (19.6%)

Exhibit 1: Volume and growth YoY (%)



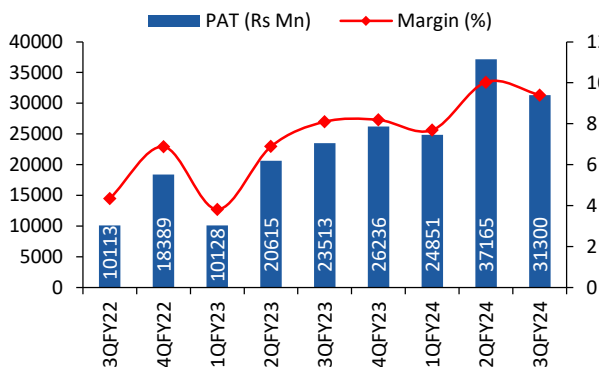
Source: Centrum Broking, Company Data

Exhibit 2: Revenue trend YoY (%)



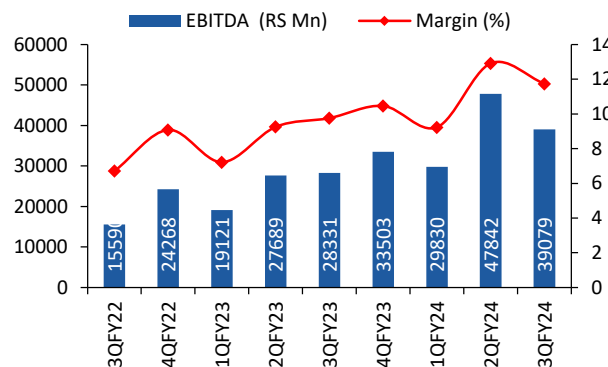
Source: Centrum Broking, Company Data

Exhibit 3: PAT and margin trend (%)



Source: Centrum Broking, Company Data

Exhibit 4: EBITDA and margin trend (%)



Source: Centrum Broking, Company Data

Exhibit 5: Quarterly highlights

Standalone Rs Mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Total Operating Income	2,05,389	2,32,460	2,67,400	2,64,998	2,99,308	2,90,443	3,20,480	3,23,269	3,70,621	3,33,087
Net Raw Materials	1,55,770	1,75,031	1,96,667	1,97,702	2,18,801	2,11,058	2,34,874	2,35,317	2,61,690	2,36,176
Gross Profits	49,619	57,429	70,733	67,296	80,507	79,385	85,606	87,952	1,08,931	96,911
Other operating costs	41,070	41,839	46,465	48,175	52,818	51,054	52,103	58,122	61,089	57,832
EBITDA	8,549	15,590	24,268	19,121	27,689	28,331	33,503	29,830	47,842	39,079
<i>as % of Sales</i>	4.2	6.7	9.1	7.2	9.3	9.8	10.5	9.2	12.9	11.7
Non-Operating Income	5,227	3,280	4,744	885	6,125	8,608	7,428	10,012	8,436	9,330
Interest	225	252	560	274	305	296	991	465	351	354
Depreciation	7,561	6,400	6,472	6,514	7,226	7,101	7,392	7,475	7,941	7,517
PBT	5,990	12,218	21,980	13,218	26,283	29,542	32,548	31,902	47,986	40,538
Tax	1,237	2,105	3,591	3,090	5,668	6,029	6,312	7,051	10,821	9,238
PAT	4,753	10,113	18,389	10,128	20,615	23,513	26,236	24,851	37,165	31,300
<i>as % of Sales</i>	2.3	4.4	6.9	3.8	6.9	8.1	8.2	7.7	10.0	9.4
EPS	15.7	33.5	60.9	33.5	68.3	77.9	86.9	82.3	123.1	99.6
Volumes(Units)										
UVs	75,068	78,637	76,985	80,852	82,778	96,542	1,05,957	1,26,401	1,80,066	1,54,120
Mini + Compact	1,91,818	2,30,678	2,85,397	2,53,864	3,00,620	2,56,983	2,84,473	2,51,225	2,40,255	2,18,166
MidSize	4,577	3,362	5,412	2,672	4,254	4,592	2,092	3,753	3,688	1,462
Vans	28,567	29,056	28,939	31,766	37,744	26,625	35,056	32,676	35,043	33,235
LCV (Super Carry)	8,660	10,103	10,993	10,817	8,692	7,098	11,399	8,079	7,417	8,117
Sales to other OEM	11,443	13,837	12,650	18,523	20,112	12,089	11,231	12,678	16,262	14,322
Exports	59,408	64,995	68,454	69,437	63,195	61,982	64,719	63,218	69,324	71,785
Total Volumes (nos)	3,79,541	4,30,668	4,88,830	4,67,931	5,17,395	4,65,911	5,14,927	4,98,030	5,52,055	5,01,207
Average Realisation	5,08,451	5,15,190	5,21,940	5,40,385	5,51,677	5,97,736	5,98,566	6,19,344	6,43,688	6,35,666

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	8,37,981	11,25,008	13,76,158	15,54,308	17,60,228
Operating Expense	6,60,373	8,62,435	10,31,366	11,59,984	13,12,317
Employee cost	40,222	46,051	56,099	62,478	69,765
Others	1,25,349	1,56,666	1,86,996	2,08,531	2,36,835
EBITDA	57,012	1,10,077	1,63,971	1,91,816	2,17,005
Depreciation & Amortisation	27,865	28,233	31,397	42,638	50,200
EBIT	29,147	81,844	1,32,574	1,49,178	1,66,805
Interest expenses	1,259	1,866	1,698	440	184
Other income	17,935	21,613	37,200	39,335	43,138
PBT	45,823	1,01,591	1,68,076	1,88,073	2,09,758
Taxes	8,160	21,099	36,304	39,307	43,839
Effective tax rate (%)	17.8	20.8	21.6	20.9	20.9
PAT	37,663	80,492	1,31,772	1,48,765	1,65,919
Minority/Associates	0	0	0	0	0
Recurring PAT	37,663	80,492	1,31,772	1,48,765	1,65,919
Extraordinary items	0	0	0	0	0
Reported PAT	37,663	80,492	1,31,772	1,48,765	1,65,919

Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	25.9	34.3	22.3	12.9	13.2
EBITDA	6.7	93.1	49.0	17.0	13.1
Adj. EPS	(11.0)	113.7	63.7	12.9	11.5
Margins (%)					
Gross	26.6	27.8	29.6	29.8	29.7
EBITDA	6.5	9.4	11.4	11.8	11.8
EBIT	3.3	7.0	9.2	9.2	9.1
Adjusted PAT	4.3	6.8	9.2	9.2	9.0
Returns (%)					
ROE	7.1	14.1	20.2	19.8	19.2
ROCE	7.3	14.1	20.2	19.8	19.2
ROIC	27.0	52.9	66.0	60.4	58.6
Turnover (days)					
Gross block turnover ratio (x)	2.6	2.9	2.9	2.8	2.8
Debtors	7	8	10	9	8
Inventory	18	17	16	15	14
Creditors	97	81	77	71	63
Net working capital	4	(23)	(15)	4	5
Solvency (x)					
Net debt-equity	(0.1)	0.0	0.0	(0.1)	(0.1)
Interest coverage ratio	45.3	59.0	96.6	435.7	1,177.8
Net debt/EBITDA	(1.2)	0.1	(0.1)	(0.5)	(0.5)
Per share (Rs)					
Adjusted EPS	124.7	266.5	436.3	492.6	549.4
BVPS	1,790.9	1,999.4	2,310.7	2,663.5	3,057.8
CEPS	217.0	360.0	540.3	633.8	715.6
DPS	60.0	90.0	125.0	140.0	155.1
Dividend payout (%)	48.1	33.8	28.7	28.4	28.2
Valuation (x)					
P/E	85.4	40.0	24.4	21.6	19.4
P/BV	5.9	5.3	4.6	4.0	3.5
EV/EBITDA	55.3	29.3	19.5	16.3	14.4
Dividend yield (%)	0.6	0.8	1.2	1.3	1.5

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	1,510	1,510	1,510	1,572	1,572
Reserves & surplus	5,39,350	6,02,310	6,96,319	8,02,791	9,21,884
Shareholders fund	5,40,860	6,03,820	6,97,829	8,04,362	9,23,456
Minority Interest	0	0	0	0	0
Total debt	4,121	12,473	2,963	1,039	435
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	(2,027)	(3,411)	(1,611)	(1,450)	(1,300)
Total liabilities	5,42,954	6,12,882	6,99,181	8,03,951	9,22,591
Gross block	3,27,795	3,90,593	4,69,593	5,45,593	6,35,593
Less: acc. Depreciation	(1,87,719)	(2,11,655)	(2,43,009)	(2,85,647)	(3,35,847)
Net block	1,40,076	1,78,938	2,26,584	2,59,946	2,99,746
Capital WIP	26,391	28,081	26,081	30,081	15,081
Net fixed assets	1,66,467	2,07,019	2,52,665	2,90,027	3,14,827
Non Current Assets	0	0	0	0	0
Investments	3,66,632	4,77,564	5,01,442	4,96,489	5,85,846
Inventories	35,331	42,838	49,449	47,671	50,335
Sundry debtors	20,301	32,958	45,320	35,568	40,239
Cash & Cash Equivalents	71,363	377	22,853	94,890	1,02,015
Loans & advances	307	299	279	249	219
Other current assets	71,515	67,321	70,014	71,414	74,985
Trade payables	1,79,516	2,04,994	2,31,089	2,19,621	2,31,900
Other current liab.	0	0	0	0	0
Provisions	9,446	10,500	11,753	12,736	13,977
Net current assets	9,855	(71,701)	(54,926)	17,435	21,917
Total assets	5,42,954	6,12,882	6,99,181	8,03,951	9,22,591

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	45,823	1,01,591	1,68,076	1,88,073	2,09,758
Depreciation & Amortisation	27,865	28,233	31,397	42,638	50,200
Net Interest	1,259	1,866	1,698	440	184
Net Change – WC	(28,435)	10,570	5,701	(324)	2,643
Direct taxes	(14,034)	(22,483)	(34,504)	(39,146)	(43,689)
Net cash from operations	32,478	1,19,777	1,72,368	1,91,680	2,19,096
Capital expenditure	(29,864)	(68,785)	(77,043)	(80,000)	(75,000)
Acquisitions, net	0	0	0	0	0
Investments	10,234	(69,931)	(36,878)	(20,047)	(81,357)
Others	0	0	0	0	0
Net cash from investing	(19,630)	(1,38,716)	(1,13,921)	(1,00,047)	(1,56,357)
FCF	2,614	50,992	95,325	1,11,680	1,44,096
Issue of share capital	7,649	9,657	0	62	0
Increase/(decrease) in debt	(1,120)	8,352	(9,510)	(1,924)	(604)
Dividend paid	(1,259)	(1,866)	(1,698)	(440)	(184)
Interest paid	(18,120)	(27,189)	(37,763)	(42,294)	(46,826)
Others	0	0	0	0	0
Net cash from financing	(12,850)	(11,046)	(48,970)	(44,597)	(47,614)
Net change in Cash	(2)	(29,985)	9,476	47,036	15,125

Source: Company, Centrum Broking

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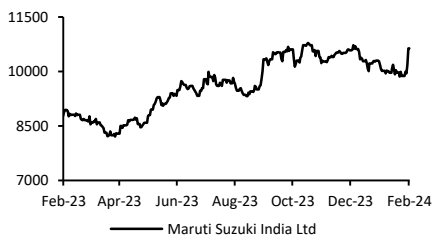
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Maruti Suzuki India Ltd



Source: Bloomberg

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