

Strong UV and Export volume led to healthy overall performance

Q3FY24 Result Update | Sector: Auto | February 01, 2024

BUY

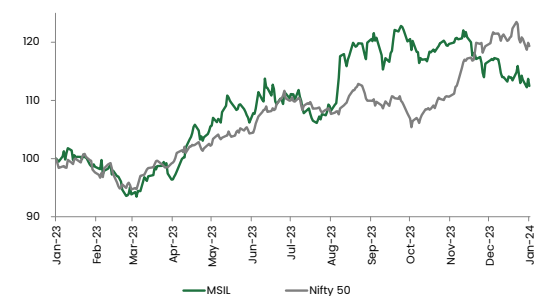
CMP (Rs)	10,187
Target Price (Rs)	12,714
Potential Upside	24.8%
Sensex	71,752
Nifty	21,726

Key Stock data

BSE Code	532500
NSE Code	MARUTI
Bloomberg	MSIL:IN
Shares o/s, Cr (FV 5)	31.4
Market Cap (Rs Cr)	320,278
3M Avg Volume	5,481,777
52 week H/L	10,933/8,076

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	56.5	56.5	58.2
FII	21.9	21.9	20.6
DII	18.2	18.3	17.8
Others	3.4	3.4	3.4

1 year relative price performance

1 year P/E Forward (x)

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Healthy overall performance: MSIL revenue for Q3FY24 revenue grew by 14.7% YoY to Rs 33,309 Cr, driven by robust sales momentum especially in the UV category as volume growth was 7.6% YoY at 501,207 units. Consequently, favorable mix as well as high other income aided in Adj. PAT expansion by 33.1% YoY to Rs 3,130 Cr.

Favorable mix aiding margin expansion: Gross profit was Rs 9,691 Cr, registering a growth of 22.1% YoY while margin expanded by 176bps YoY to 29.1%. EBITDA grew by 37.9% YoY to Rs 3,908 Cr while margin expanded by 198bps YoY to 11.7%. The strong operational performance was due to commodity tailwinds during the quarter as well as better operating leverage due to favorable mix of UVs which accounted for 31% of the sales as compared to 21% in the corresponding period of the last year.

Premiumization of portfolio driving realization: Avg net realizations improved by 6.6% YoY to Rs 664,570/unit, mainly due to higher presence of UVs as well as ~4% average price hike across its vehicle. We anticipate the trend of premiumization to continue as the company makes structural shifts towards UVs, electrification of vehicles and new launches across categories and factoring this, we estimate the realizations to improve by 6.1% over FY23-26E.

Strong international business: Despite the geopolitical situation, the export volume continued to remain strong, up by 15.8% YoY/3.5% QoQ to 71,785 units while YTD export volume is up by 5% YoY to 204,327 units. It continues to witness steady demand from its key markets like Africa and LATAM while Free Trade Agreement conclusion with middle east countries could further unlock volume expansion for the company. We estimate its export volume to grow by 7.8% over FY23-26E.

Outlook & Valuation: MSIL continues to lead the passenger vehicle industry with a market share of 42.9% in the domestic market and remains a leading player in exports from India with consistent rise in volumes. Its structural shift towards dedicated UV portfolio has garnered strong growth for the company on the revenue and realizations front. Given the slow pace of sales in the mid and compact category of vehicles, UVs will continue to drive the volume growth in the coming quarter while new launches as well as renewed models in the mid and compact segment could result in volume expansion further. It aims to enter different regions across the world as well as new launches in the EV segment shall result in overall growth for MSIL. Factoring this, we estimate its revenue/EBITDA/PAT to grow at a CAGR of 15.1%/25.5%/25.7% over FY23-26E. Hence, we remain overweight and maintain our **Buy** rating with a target price of **Rs 12,714** valuing the company at 25x on FY26E EPS.

Financial Summary – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	117,523	138,306	160,347	179,174
EBITDA	11,008	16,147	19,076	21,760
EBITDAM (%)	9.4	11.7	11.9	12.1
APAT	8,049	11,909	14,121	15,989
APATM (%)	6.8	8.6	8.8	8.9
EPS (Rs)	266.5	378.8	449.1	508.5
PE (x)	38.2	26.9	22.7	20.0
RoE (%)	14.1	18.4	19.0	18.7

Source : RBL Research

Concall & Other key highlights: 1) Management expects the passenger vehicle industry to reach 4.3 Mn units by the end of FY25 and remains optimistic to beat industry's growth pace. 2) Small car segment still remains soft, expect recovery to be at a slower rate. 3) 1st time buyers were at 41% against 37% in Q2FY24. 4) Company aims to add 10 new models including BEV (Born Electric Vehicle) with few refreshers and plans to have 28 models in its portfolio by FY31. 4) The red-sea issue could lead to slight delay in its shipment due to vessel routes changes and container availability, however, it remains quite optimistic on exports outlook. 5) It plans to start the commercial production of BEV in CY24 which will cater to the Indian market as well as aims to enter Europe and Japan market with it. 6) The construction of a greenfield plant with a ramp-up capacity of 250,000 units/PA in Kharkhoda shall be operational by FY25, and aims to add 3 more such plants. 7) The acquisition of the SMG plant was approved by its shareholder with 98% in favor, making it a wholly owned subsidiary of the company. 8) Royalty eased by 30bps QoQ to 3.5%. 9) CNG penetration in overall volume at 30%. 10) Order book of ~215,000 units.

Robust sales momentum leads to 14.7% YoY growth

Favorable mix of UVs added in consistent quarter of double digit EBITDA margin

Stellar Profitability growth

Commodity cost remained favorable, however, could witness some volatility in steel price in the coming quarters

P&L Account Quarterly – standalone

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Total Volumes (units)	501,207	465,911	7.6	552,055	(9.2)
Avg. Realization (Rs.)	664,570	623,387	6.6	671,348	(1.0)
Net sales	33,309	29,044	14.7	37,062	(10.1)
Material costs	23,618	21,106	11.9	26,169	(9.7)
Gross Profit	9,691	7,939	22.1	10,893	(11.0)
Gross Margin (%)	29.1	27.3	176 bps	29.4	-30 bps
Personnel costs	1,339	1,201	11.5	1,313	2.0
Other overheads	4,445	3,904	13.8	4,796	(7.3)
EBITDA	3,908	2,833	37.9	4,784	(18.3)
EBITDA Margin (%)	11.7	9.8	198 bps	12.9	-118 bps
EBITDA/Unit	77,970	60,808	28.2	86,662	(10.0)
Depreciation	752	710	5.9	794	(5.3)
Interest	35	30	19.6	35	0.9
Other income	933	861	8.4	844	10.6
PBT	4,054	2,954	37.2	4,799	(15.5)
Tax	924	603	53.2	1,082	(14.6)
Adjusted PAT	3,130	2,351	33.1	3,717	(15.8)
Adj. PAT margin (%)	9.4	8.1	130 bps	10.0	-63 bps

Source : RBL Research

Cost analysis

As a % of net sales	Q3FY24	Q3FY23	Y-o-Y (bps)	Q2FY24	Q-o-Q (bps)
Material costs	70.9	72.7	-176 bps	70.6	30 bps
Personnel Costs	4.0	4.1	-12 bps	3.5	48 bps
Other overheads	13.3	13.4	-10 bps	12.9	40 bps
Total costs	88.3	90.2	-198 bps	87.1	118 bps

Source : RBL Research

Utility vehicles driving the growth contributing 31% of the overall volume

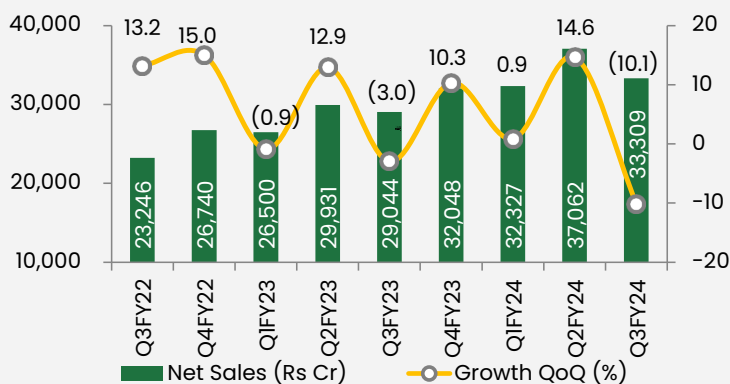
Volume Breakup

Particulars (in Units)	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Mini	27,084	52,952	(48.9)	32,150	(15.8)
Compact	191,082	204,031	(6.3)	208,105	(8.2)
Mid size	1,462	4,592	(68.2)	3,688	(60.4)
Utility vehicles	154,120	96,542	59.6	180,066	(14.4)
Vans	33,235	26,625	24.8	35,043	(5.2)
OEM	14,322	12,089	18.5	16,262	(11.9)
Total Domestic Passenger	421,305	396,831	6.2	475,314	(11.4)
Light Commercial Vehicles	8,117	7,098	14.4	7,417	9.4
Total Domestic Sales	429,422	403,929	6.3	482,731	(11.0)
Total Export Sales	71,785	61,982	15.8	69,324	3.5
Total Sales (Domestic +	501,207	465,911	7.6	552,055	(9.2)

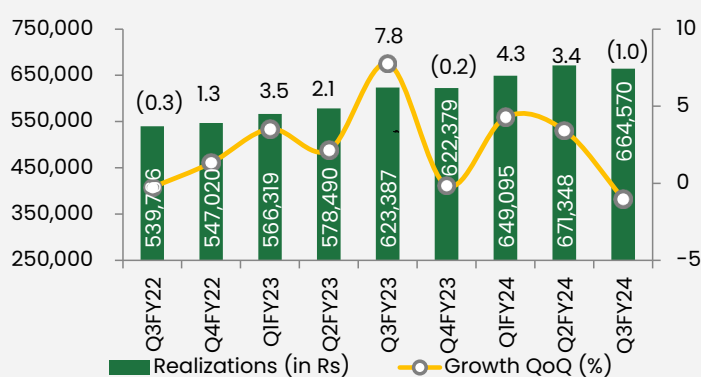
Source : RBL Research

Story in charts

Robust yearly growth, sequential dip due to decline in volume

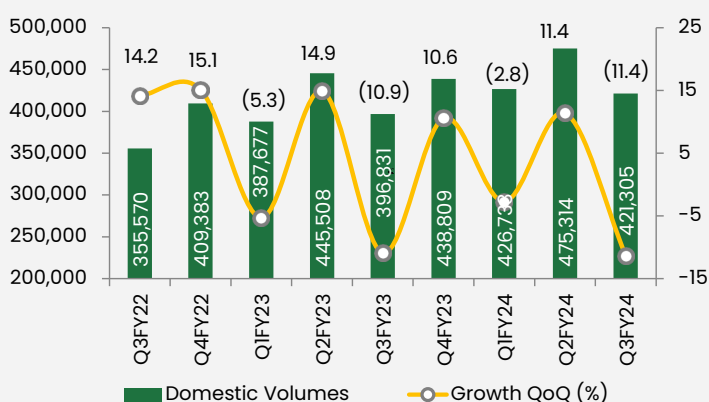


Resilient realizations, sequential decline due to discounts in December



Source : RBL Research

Low compact segment sales partially offset by strong UV volume

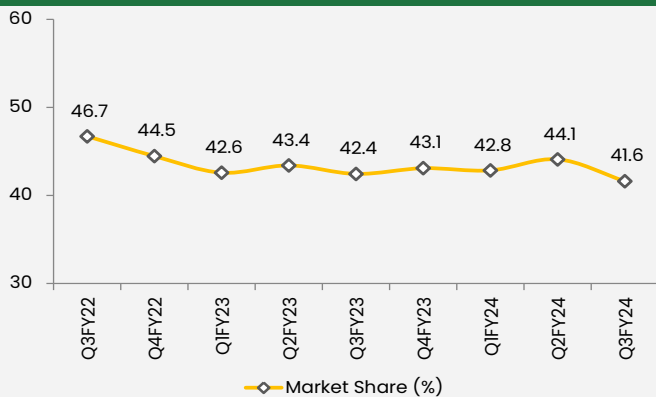


Consistent exports volume amid macro economic conditions

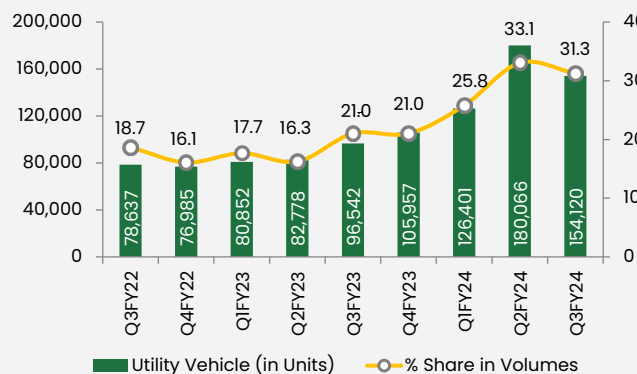


Source : RBL Research

Trend of market share

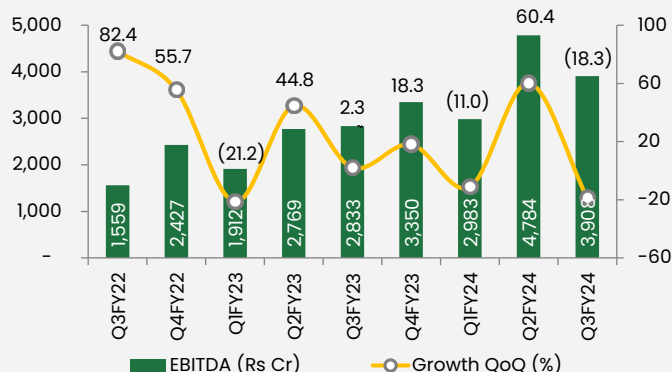


UV volume up by 60% YoY

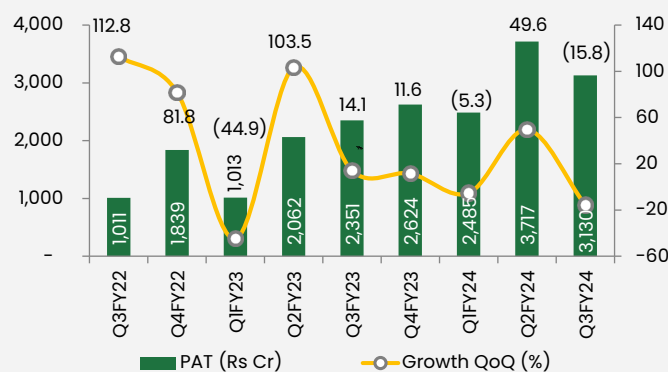


Source : RBL Research

Favorable mix resulting in exceptional EBITDA for last 2 quarters



Trend of PAT



Source : RBL Research

P&L Account – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Total Volumes (units)	1,966,164	2,070,419	2,305,260	2,510,987
Net sales	117,523	138,306	160,347	179,174
Avg. Realizations	597,727	668,011	695,568	713,560
Total Raw material cost	86,244	99,580	115,843	129,445
Employee cost	4,605	5,394	6,006	6,469
Other expenses	15,667	17,185	19,422	21,501
Total expenditure	106,515	122,159	141,271	157,414
EBITDA	11,008	16,147	19,076	21,760
EBITDA/Unit	55,986	77,989	82,749	86,658
EBITDAM (%)	9.4	11.7	11.9	12.1
Other income	2,161	3,026	3,843	4,696
Depreciation	2,823	3,529	4,411	5,514
PBIT	10,346	15,644	18,507	20,941
Interest expenses	187	177	168	177
PBT	10,159	15,466	18,339	20,765
Tax	2,110	3,557	4,218	4,776
Adjusted PAT	8,049	11,909	14,121	15,989
PATM (%)	6.8	8.6	8.8	8.9

Source : RBL Research

Balance Sheet – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	151.0	157.2	157.2	157.2
Reserves & Surplus	60,231	68,996	79,501	91,403
Total Shareholder's Fund	60,382	69,153	79,659	91,560
Non-Current Liabilities				
Total Borrowings	1,216	363	341	351
Other long term liabilities	2,610	2,867	2,428	2,244
Deferred tax liabilities	-	-	-	-
Long term provision	83	93	102	102
Current Liabilities				
Trade payables	11,780	14,166	16,236	18,931
Short term provisions	962	1,084	1,317	1,300
Other current liabilities	6,141	6,433	6,825	8,143
Total Liabilities	83,174	94,160	106,907	122,631
Fixed Assets	16,667	17,437	20,311	20,468
Current work in process	2,808	2,625	2,974	3,144
Intangible assets	637	634	871	1,169
Non current investment	47,756	51,523	57,381	69,224
Other non-current assets	3,370	2,966	3,403	3,540
Deferred Tax Assets	341	296	415	520
Current Assets				
Current investments	-	1,291	2,517	3,509
Inventories	4,284	5,361	6,434	7,391
Trade receivables	3,296	4,456	4,793	5,831
Cash & Cash equivalents	33	3,087	3,510	3,462
Other current assets	3,983	4,484	4,299	4,372
Total Assets	83,174	94,160	106,907	122,631

Source : RBL Research

Cashflow – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Reported PBT	10,159	15,466	18,339	20,765
Depreciation	2,823	3,529	4,411	5,514
Tax paid	(2,110)	(3,557)	(4,218)	(4,776)
Working capital Change	4,435	(1,229)	243	935
Operating Cash Flow (a)	15,307	14,209	18,776	22,438
Capex	(6,856)	(4,114)	(7,871)	(6,140)
Free Cash Flow	8,451	10,095	10,905	16,299
Investments	(10,795)	(3,363)	(6,295)	(11,981)
Investing Cash Flow (b)	(17,651)	(7,477)	(14,166)	(18,120)
Debt Issuance/ (Repaid)	834	(853)	(22)	10
Dividend Paid	(2,718)	(3,144)	(3,616)	(4,087)
Others	1,225	312	(549)	(290)
Financing Cash Flow (c)	(659)	(3,678)	(4,187)	(4,367)
Net Cash Flow (a + b + c)	(3,003)	3,054	423	(49)
Closing Cash	33	3,087	3,510	3,462

Source : RBL Research

Key ratios – standalone

Particulars	FY23	FY24E	FY25E	FY26E
Per Share Ratios (Rs)				
Dividend per share	90	100	115	130
EPS	267	379	449	509
CEPS	360	491	589	684
Book value per share	1,999	2,200	2,534	2,912
Profitability Ratios (%)				
EBITDA Margin	9.4	11.7	11.9	12.1
PBT Margin	8.6	11.2	11.4	11.6
Net Profit Margin	6.8	8.6	8.8	8.9
RoCE	17.8	23.9	24.8	24.4
RoE	14.1	18.4	19.0	18.7
Dividend Payout	33.8	26.4	25.6	25.6
Efficiency				
Fixed Asset Turnover (x)	6.7	7.0	7.4	7.6
Debtors Velocity (Days)	10	12	11	12
Inventory (Days)	13	14	15	15
Interest Cover Ratio (x)	55.4	88.2	109.9	118.4
Current ratio (x)	0.9	0.8	1.0	0.8
Valuation Ratios (x)				
P/E	38.2	26.9	22.7	20.0
P/B	5.1	4.6	4.0	3.5
EV/EBIDTA	28.1	19.7	16.6	14.6

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
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	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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