

**New Product launch will be key focus**

**CMP: INR 8,658**

**Rating: Accumulate**

**Target Price: INR 9,720**

**Stock Info**

BSE	532500
NSE	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.NS
Sector	Automobiles
Face Value (INR)	5
Equity Capital (INR mn)	151.00
Mkt Cap (INR mn)	2,58,037
52w H/L (INR)	9,022 / 6,540
Avg Yearly Vol (in 000')	776

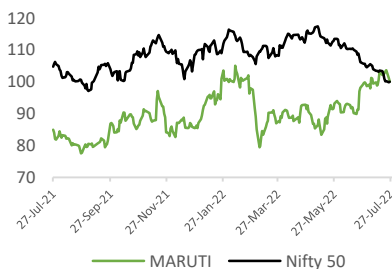
**Shareholding Pattern %**

(As on June, 2022)

Promoters	56.37
Public & Others	3.74

Stock Performance (%)	1m	3m	12m
Maruti Suzuki	1.14	9.71	18.02
Nifty 50	4.88 (2.54)	5.45	

**Maruti Vs Nifty 50**



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**Maruti revenue in-line with estimates:** Standalone revenue stood at INR 264,998 Mn, against our estimate of INR 257,320 Mn registering a growth 49.1% YoY/ -0.9% QoQ. Total Volume declined by 4% QoQ/+32% YoY to 467,931 units. The decline is due to significant constraints by the inadequate availability of semi-conductors. Exports were at 69,437 units, the highest ever in any quarter. During the same period previous year, the Company sold a total of 353,614 units including sales of 308,095 units in domestic market and 45,519 units in export markets. Shortage of chip components in Q1FY23 resulted in about 51K vehicles not being produced. Pending customer orders stood at about 280K vehicles at the end of the quarter and the Company is making efforts to serve these orders fast.

**EBITDA converging with our estimates:** EBITDA stood at INR 19,121 Mn, against our estimate of INR 19,200 Mn, Registering a growth of 133%YoY/ -21%QoQ. On the margins front, EBITDA margin steady by 3bps YoY/ -2bpsQoQ to 7.2%, against our estimate of 7.5% due to commodity impact, which was partially off set by selling price increase and sales promotion costs. Which higher from Q4FY22 to Q1FY23. So the net impact between the selling price increase and cost still about 1.2%. Also increase of employee cost of 0.6% in Q1FY23.

**Raw material:** The increase in prices of commodities during the Q4FY22 which had impacted the Operating Profit in Q1FY23. The impact was to the extent of ~2% partially off set this impact with the price increase. The Profit Before Tax was also impacted by the non-operating income being lower in this quarter due to mark-to-market loss. The Company continued to work on cost reduction efforts to minimize the impact on customers

**Outlook and valuation**

At a CMP of INR 8,658, MSIL currently trading at a PE of 27.4x, to its FY24E EPS of INR 316.5 Maruti Q1FY23 has largely in line with the estimates led by strong booking entry-level segment and a favorable product lifecycle. The SUV segment is around 40% of the total PV market. Out of this 40%, around 50% is mid SUV segment and the company will be targeting aggressively this segment going ahead with Brezza, Grand Vitara, and other products in the planned pipeline. Also, the company sees exports moving stronger going forward which is aided by its strong global distribution network of Suzuki. This will drive volume and market share growth and the company will see better-operating margins due to the downtrend in raw material prices. **We value Maruti at 28x FY24 EPS of INR 347.1 for the revised target price of INR 9,720 per share (The previous target price was INR 8,862). We maintain our Accumulate rating.**

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoE (%)	P/E (x)
FY21	7,03,325	53,453	42,297	140.0	7.60	8.54	61.84
FY22	8,82,956	57,012	37,663	124.7	6.46	7.25	69.44
FY23E	10,60,030	95,392	68,449	226.6	9.00	12.48	38.41
FY24E	12,66,888	1,21,340	87,447	347.1	9.58	15.30	24.90

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

## Q1FY23 Highlights from the Conference Call

- **Product launches:** The company started launching product one & another and broken all earlier barrier with new age product and cutting edge technology. All new, Maruti Suzuki Brezza liked by the customer help in to strengthen SUVs offering segment with new Brezza booking of 70k in short span of time with better technology.
- **Booking:** Grand Vitara, the company has a good order of about INR 20k. And for the Brezza the all-new Brezza Maruti has about INR70k. In the Grand Vitara the strong hybrid which the company has described at least as intelligent electric hybrid, that has got between 45% to 50%, of the bookings. So that's a very positive sign and hope that Maruti will be able to service these orders fast.
- **Better Efficiency:** hybrid version, which has very high fuel efficiency 27.97 kilometers per liter. So everything points towards a very strong pull from the form the market
- **New age technology:** Introduction of technology advanced features, such as electric sunroof, heads up display, 360-degree camera, ESPN will hold assist among others is helping and improving customer convenience, and safety in these products. The company with its new generation highly efficient K-Series engines and rectification technologies is working towards lowering the CO2 emission for its fleet. These two these new products COVID improved energy efficiency that can help in both lowering the CO2 emissions as well as lowering the running cost. Relevance of fuel efficiency improvement is more pronounced during the ongoing period of elevated fuel prices.
- **New Plant:** The company finalize the landside for new manufacturing plant in Haryana, and 800-acre site at IRB Kolkatta. The first plant with a manufacturing capacity of 250k vehicles per annum is expected to be commissioned in within the year 2025. In the first case, the investment would be over INR11k cr. Each side will have space for capacity expansion to include more manufacturing plants in the future.
- **Exports Market:** Suzuki Motor Corporation Japan, the company has been able to leverage their vast global distribution network to significantly enhance exports. With this recorded highest ever quarterly exports of 69,437 vehicles in quarter one of this year. Reinforcing its commitment to maximize the use of renewable energy in operations, ~20 megawatt solar power plant as its manager facility. Maruti sees exports moving stronger going forward which is aided by the strong global distribution network of Suzuki.
- **Hybrid Taxation:** 1) The hybrid taxation is a shared lower than the diesel taxation in the segment. So, to that extent. 2) Customers are yet to see a very powerful product in efficient gasoline in this segment. Entry SUV segment, the diesel to gasoline ratio used to be 80:20 a few years ago. After the entry of Brezza, it reversed from 80: 20 to 20: 80 and now even that 20% diesel has now become 18.3% diesel. So, overall positive for the customer perspective.
- **Discounts:** In Q1FY23 12,750 mn vs Q4FY22 11,130 mn.
- **YEN exposure:** The component imports that the company has from overseas, and quality. The company is paid all in rupees only and modern more exposed to a currency risk. A total exposure is ~3% of net sales, which is significantly small compared to what it used to be earlier and Indirect ~ INR 85 mn.
- **CNG:** CNG is currently 20% of sales and looking at it as a larger de-carbonization journey. These short-term see this situation has is rising from the war. So, these short-term phenomena. The company has products in the pipeline also, in the long term that should not matter.
- 3.7% royalty is pretty much fix.
- **Other income:** MTM impact due to the interest rate increases almost 150 bps, and that impacted the years.
- Toyota Kirloskar will act as the exclusive supplier for Maruti for Grand vitara.

## Q1FY23 result Snapshot

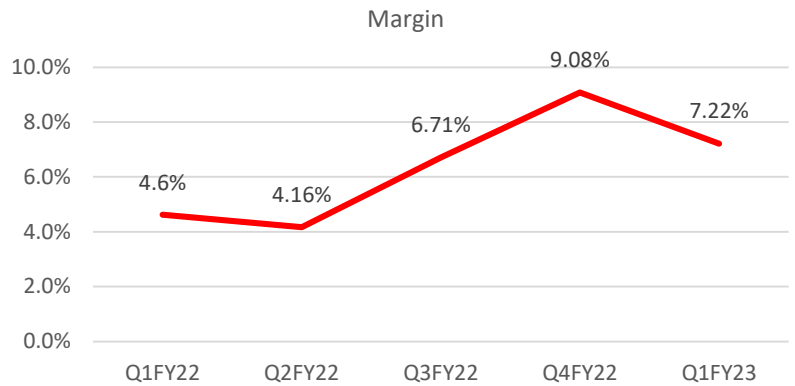
Standalone (INRm)	Q1FY23	Q4FY22	Q1 FY22	YoY (%)	QoQ(%)
Net Sales	264,998	267,400	177,707	49.1	-0.9
- Raw Material	197702	196667	132,905	48.8	0.5
(% of Net Sales)	74.6%	73.5%	74.8%	-0.2	1.4
- Staff Expenditure	11584	10258	10,643	8.8	12.9
(% of Net Sales)	4.4%	3.8%	6.0%	-27.0	14.0
- Other Expenditure	36591	36207	25,948	41.0	1.1
(% of Net Sales)	13.8%	13.5%	14.6%	-5.4	2.0
Total Expenditure	245,877	243,132	169,496	45.1	1.1
<b>EBITDA</b>	<b>19,121.00</b>	<b>24,268</b>	<b>8,211</b>	132.9	-21.2
<b>EBITDA Margin (%)</b>	<b>7.22%</b>	<b>9.08%</b>	<b>4.6%</b>	3bps	-2bps
Depreciation	6514	6472	7,432	-12.4	0.6
<b>EBIT</b>	<b>12,607</b>	<b>17,796</b>	<b>779</b>	1,518.4	-29.2
<b>EBIT Margin (%)</b>	<b>4.8%</b>	<b>6.7%</b>	<b>0.4%</b>	4bps	-2bps
Interest	274	560	222	23.4	-51.1
Other Income	885	4744	5,078	-82.6	-81.3
<b>PBT</b>	<b>13,218</b>	<b>21,980</b>	<b>5,635</b>	134.6	-39.9
Tax	3090	3591	1,227	151.8	-14.0
Tax Rate (%)	23.4%	16.3%	21.8%	2bps	7bps
<b>Adjusted PAT</b>	<b>10,128</b>	<b>18,389</b>	<b>4,408</b>	129.8	-45
Exceptional Items	-	-	-	-	-
<b>Reported PAT</b>	<b>10,128</b>	<b>18,389</b>	<b>4,408</b>	58	-45
Reported EPS (INR)	33.53	60.87	14.59	58	-45
<b>Volumes (In Nos)</b>	<b>467,931</b>	<b>488,830</b>	<b>353,614</b>	32	-4
<b>Net Realisation (INR)</b>	<b>566,319</b>	<b>547,020</b>	<b>502,545</b>	12	4
EBITDA / Vehicle (INR)	40,863	49,645	23,220	-18	76

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

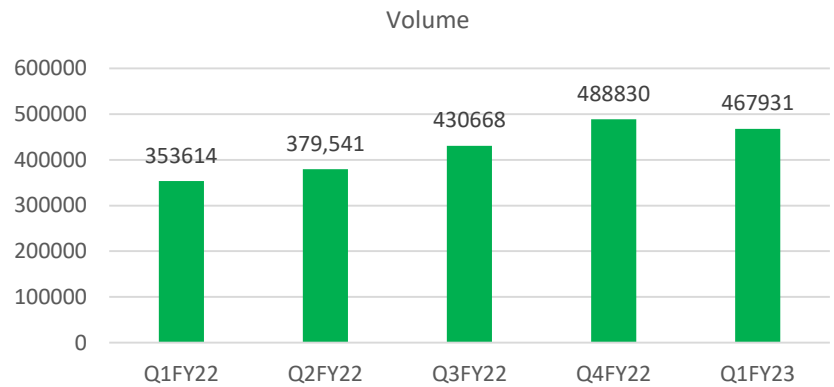
Volumes (In Nos)	Q1FY23	Q4FY22	1QFY22	YoY (%)	QoQ (%)
<b>Domestic</b>	<b>398,494</b>	<b>420,376</b>	<b>308,095</b>	<b>29.3</b>	<b>(5.2)</b>
A: Mini	48,987	53,816	47,240	3.7	(9.0)
A: Compact + Super compact	204,877	231,581	161,510	26.9	(11.5)
A: Mid-Size + Exec	2,672	5,412	2,518	6.1	(50.6)
<b>Total cars</b>	<b>256,536</b>	<b>290,809</b>	<b>211,268</b>	<b>21.4</b>	<b>(11.8)</b>
B: UVs	80,852	76,985	60,011	34.7	5.0
C: Vans	61,106	52,582	36,816	66.0	16.2
Export	69,437	68,454	45,519	52.5	1.4
<b>Total Volumes</b>	<b>467,931</b>	<b>488,830</b>	<b>353,614</b>	<b>32.3</b>	<b>(4.3)</b>

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

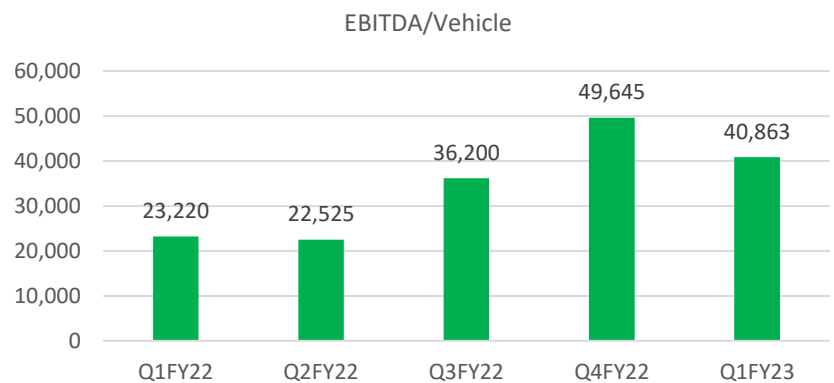
**Exhibit 1: Decline due to commodity impact. Also increase of employee cost of 0.6% in Q1FY23.**



**Exhibit 2: The volume decline due to significant constraints by the inadequate availability of semi-conductors.**



**Exhibit 3: The company EBITDA/Vehicle showing downtrend in Q1FY23 due to higher promotion cost**



Source: Arianth Research, Company Filings,

Profit & Loss Statement				
Particulars (INR mn)	FY21	FY22	FY23E	FY24E
Net sales	7,03,325	8,82,956	10,60,030	12,66,888
Growth, %	-7	26	21	20
RM expenses	-5,08,172	-6,60,373	-7,47,321	-8,74,153
Employee expenses	-34,029	-40,222	-46,255	-48,568
Other expenses	-1,07,671	-1,25,349	-1,71,061	-2,22,827
<b>EBITDA (Core)</b>	<b>53,453</b>	<b>57,012</b>	<b>95,392</b>	<b>1,21,340</b>
Growth, %	-27	7	67	27
Margin, %	7.6	6.5	9.0	9.6
Depreciation	-30,315	-27,865	-29,310	-32,487
<b>EBIT</b>	<b>23,138</b>	<b>29,147</b>	<b>66,083</b>	<b>88,853</b>
Growth, %	-39	26	127	34
Margin, %	3.3	3.3	6.2	7.0
Interest paid	-1,008	-1,259	-1,440	-1,984
Other Income	29,464	17,935	18,832	19,773
	4.19	2.03	1.78	1.56
Non-recurring Items	0	0	0	0
<b>Pre-tax profit</b>	<b>51,594</b>	<b>45,823</b>	<b>83,475</b>	<b>1,06,643</b>
Tax provided	-9,297	-8,160	-15,025	-19,196
<b>Profit after tax</b>	<b>42,297</b>	<b>37,663</b>	<b>68,449</b>	<b>87,447</b>
Others (Minorities, Associates)	-	-	-	-
<b>Net Profit</b>	<b>42,297</b>	<b>37,663</b>	<b>68,449</b>	<b>87,447</b>
Growth, %	-25	-11	82	28
<b>Net Profit (adjusted)</b>	<b>42,297</b>	<b>37,663</b>	<b>68,449</b>	<b>87,447</b>

Balance Sheet				
Particulars (INR mn)	FY21	FY22	FY23E	FY24E
Cash & bank	30,364	30,362	41,479	53,066
Marketable securities cost	4,02,595	3,92,361	3,96,361	4,04,361
Debtors	12,766	20,301	24,372	21,115
Inventory	30,500	35,331	39,983	46,769
Loans & advances	232	307	313	319
Other current assets	27,250	20,049	20,049	20,049
Total current assets	1,01,112	1,06,350	1,26,196	1,41,318
Investments	15,272	15,272	15,272	15,272
Gross fixed assets	4,65,678	5,15,678	5,57,902	6,15,678
Less: Depreciation	-3,23,125	-3,50,990	-3,80,727	-4,12,787
Add: Capital WIP	11,923	26,391	26,391	26,391
Net fixed assets	1,42,553	1,64,688	1,77,175	2,02,892
<b>Total assets</b>	<b>6,92,525</b>	<b>7,31,985</b>	<b>7,68,318</b>	<b>8,17,156</b>
Current liabilities	1,48,763	1,57,705	1,71,759	1,88,766
Provisions	7,863	7,863	7,863	7,863
Total current liabilities	1,56,626	1,65,568	1,79,622	1,96,629
Non-current liabilities	25,139	29,534	26,897	26,897
Total liabilities	1,81,765	1,95,102	2,06,518	2,23,525
Paid-up capital	1,510	1,510	1,510	1,510
Reserves & surplus	5,04,362	5,31,554	5,56,471	5,88,302
Shareholders' equity	5,05,872	5,33,064	5,57,981	5,89,812
<b>Total equity &amp; liabilities</b>	<b>6,92,525</b>	<b>7,31,985</b>	<b>7,68,318</b>	<b>8,17,156</b>

Cash Flow				
Particulars (INR mn)	FY21	FY22	FY23E	FY24E
<b>Pre-tax profit</b>	<b>51,594</b>	<b>45,823</b>	<b>83,047</b>	<b>1,07,070</b>
Depreciation	30,315	27,865	29,737	32,060
Chg in working capital	45,354	3,702	5,324	13,473
Total tax paid	-11,556	-14,301	-14,948	-19,273
<b>CFO</b>	<b>87,251</b>	<b>46,413</b>	<b>95,059</b>	<b>1,15,540</b>
Capital expenditure	-13,605	-64,468	-42,224	-57,776
Chg in investments	-13,191	50,234	36,000	32,000
<b>CFI</b>	<b>-37,332</b>	<b>-36,299</b>	<b>-27,392</b>	<b>-46,003</b>
Free cash flow	33,646	-58,055	12,835	17,764
Dividend (incl. tax)	-29,946	-19,999	-43,534	-55,616
<b>CCF</b>	<b>-27,129</b>	<b>-22,327</b>	<b>-44,973</b>	<b>-57,600</b>
<b>Net chg in cash</b>	<b>22,789</b>	<b>-12,213</b>	<b>22,694</b>	<b>11,938</b>
Opening cash balance	211	30,364	30,362	41,479
<b>Closing cash balance</b>	<b>30,364</b>	<b>30,362</b>	<b>41,479</b>	<b>53,066</b>

Ratios				
Particulars (INR mn)	FY21	FY22	FY23E	FY24E
EPS (INR)	140.0	124.7	226.6	347.1
PE (x)	61.8	69.4	38.2	24.9
Price/Book (x)	5.2	4.9	4.7	3.7
EV/EBITDA (x)	40.9	38.5	22.9	14.2
EV/Net sales (x)	3.1	2.5	2.1	1.4
RoE (%)	9	7	13	15
RoCE (%)	10	9	15	18
Dividend Yield (%)	1.0	0.6	1.6	2.4
Receivable (days)	7	9	9	6
Payable (days)	57	43	42	41
Revenue Growth (%)	-7	26	21	20
EBIDTA Growth (%)	-27	7	67	27
EPS Growth, %	-25	-11	68	42
Net D/E ratio (x)	(0.8)	(0.8)	(0.8)	(0.8)

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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