

CMP: INR 10,561

Rating: Accumulate

Target Price: INR 12,206

Stock Info

BSE	532500
NSE	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.NS
Sector	Automobiles
Face Value (INR)	5
Equity Capital (INR mn)	1510
Mkt Cap (INR Mn)	31,87,820
52w H/L (INR)	10,845/ 8,076
Avg Yearly Vol (in 000')	496

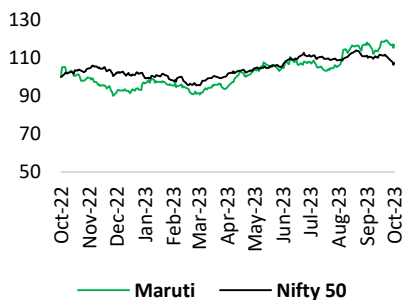
Shareholding Pattern %

(As on June, 2023)

Promoters	56.48
Public & Others	43.52

Stock Performance (%)	1m	3m	12m
Maruti Suzuki	-1.12	8.27	16.8
Nifty 50	-3.39	-3.12	7.39

Maruti Vs Nifty 50



Maruti's Margin expansion led by cost reduction efforts and Softening of RM. Standalone revenue stood at INR 370,621 Mn, against our estimate of INR 376,340 Mn registering a growth 24% YoY/14.6% QoQ led by relatively better sales volume leading to improved capacity utilization. EBITDA stood at INR 47,842 Mn, against our estimate of INR 41,725 Mn, Registering a growth of 72.8%YoY/ 60.4%QoQ. On the margins front, EBITDA margin expansion by bps 366YoY/ 368bpsQoQ to 12.91%, above with our estimate of 11.00% led by cost reduction efforts and Softening of RM. Standalone PAT saw an increase of 49.6%QoQ/80.3%YoY to INR 37,165 Mn above our estimate of INR 31,010 Mn. EPS stood at INR 123.03 in Q2FY24 against INR 82.27 in Q1FY24. The board has approved a dividend of INR 90 per share for the FY23.

Beat in Margin led by softening in RM & cost optimization: EBITDA margin expansion by bps 366YoY/ 368bpsQoQ to 12.91%, above with our estimate of 11.00% led by cost reduction efforts and Softening of RM. In Q2FY24, there were no one-off factors, and all indicators were favorable, contributing to this expansion. The company's goal is to sustain this consistent growth, contingent on potential steel price increases in Q3, while also benefiting from the depreciation of the JPY against INR and the dollar, which could manifest in 3Q.

Higher ASP led by the increase in SUV Mix: The ASP in Q2 showed a robust increase of approximately 15% when compared to Q2FY23, leading to a remarkable 80% YoY growth in net profit, reaching INR 37,165 mn. This outstanding performance can be attributed to several factors, including heightened sales volume, efficient cost-saving measures, favorable commodity prices, and increased non-operating income. Notably, the export ASP only slightly surpasses the domestic ASP. The top three models contributing to this success are the Baleno, Desire, and S-presso. Looking ahead, the company appears to be in a strong position for continued growth and profitability.

Outlook and valuation

MSIL's posted better than estimated numbers in Q2FY24 led by healthy response to its multiple SUV launches during past one year. Despite a subdued industry outlook for FY25 due to fewer product launches, rising entry-level car inventory, and reduced waiting periods for new SUVs, we anticipate that MSIL will surpass industry growth by increasing its market share in the SUV segment and leveraging its strong foothold in rural markets. A healthy order book and a better portfolio mix will support the company's growth.

We value Maruti at 25x FY26E EPS of INR 489.6 for the revised target price of INR 12,206 per share. We maintain our Accumulate rating on the stock.

Exhibit 1: Financial Performance

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoE (%)	P/E (x)
FY23	11,75,229	1,10,077	76,805	266.5	9.37	14.06	39.63
FY24E	14,55,414	1,71,924	98,664	407.9	11.81	19.63	25.89
FY25E	16,01,158	1,95,897	1,11,709	432.8	12.23	19.35	24.40
FY26E	16,96,236	2,10,284	1,47,490	488.2	12.40	22.75	21.63

Source: Arihant Research, Company Filings

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Maruti Suzuki India Ltd- Q2FY24 Concall KTAs

SUV Market: Saw a 50% increase, up from 45%. The company achieved market leadership with a MS of about 23% in SUV. Also, all the four SUVs the Brezza, the Grand Vitara, Fracs and Gemini have contributed to the Company taking the leadership position in SUVs.

CNG Demand: The share of SUVs was up 50%, which was 43% in FY23. Together with MUV, the share of UV in the industry is ~60%. In terms of fuel mix, CNG vehicles continue to see strong demand, and the share of CNG vehicles in the industry has now reached about 15%. The share of diesel vehicles continues to decline and is 17% as compared to 19% in FY23.

Hybrid Vehicles: Showed a modest 2% increase.

Sales Easing: Going ahead the company is cautiously optimistic on semiconductor supplies. With the easing of semiconductor shortages, production volume improved and the pending orders at the end of Q2 have come down to expected to reach 288k units, up from 258k.

Exports: In Q2, the company exported 9.7% more units, making it the largest exporter in India, with contributions from the Grand Vitara and France driving export growth. The Company further expanded its product portfolio for exports, with the start of exports of the Jiminy five door, the vehicle will be shipped to destinations in Latin America, Middle East and the Africa.

SMG: The Company aims to triple its export volume to 750k to 800k units by 2030-31, alongside the integration of the Gujarat plant (SMG), enhancing agility and competitiveness in a multi-location, multi-powertrain manufacturing scenario.

ASP: The ASP in Q2 increased by ~15% compared to the Q2FY23, resulting in a net profit of INR 37,165 mn, representing an impressive 80% YoY growth, attributed to increased sales volume, cost-saving initiatives, favorable commodity prices, and higher non-operating income. The export ASP is only marginally higher than the domestic ASP. Top three model are Baleno, Desire and S-presso.

Inventory: Wholesale inventory stood at ~INR 466,469, just above INR 467,000, while retail inventory was at INR 432,450, with wholesale slightly exceeding retail as part of a strategy to build inventories during the festive season.

One-off Items: No significant one-off items; inventory at normal levels.

Margins: Q2FY24 margin at 12.9%, dependent on variables such as raw material costs.

Discounts: The company offered INR 17,700 per vehicle, , revenue was about INR4333 Cr.

Demand and Geography: Demand remains fairly stable, with variations across regions.

Festive Season: Expects an 18% growth during the festive season (till now industry has grown by about 20%)

Margin vs Market Share: The company intends to focus on both margin and market share, particularly as it increases capacity and introduces 6 new EV models.

Order Book: 250 lac units, CNG accounts for 123k out of this. Then it is fairly Ertica is one major model with about 73,700 units pending orders. Then they have the Breeza, the Grand Vitara, the Jimny, Invicto so a large part of it is on the new SUVs which have been recently launched.

Capex: INR 8000 Cr capex for FY24.

Sentiment: Rural areas saw slightly higher performance than urban areas, and this trend remains robust and healthy.

Gross Margin: Concerns due to increased steel costs and small forex gains.

Small Car Segment: Small car decreased to 28% from 34% earlier and expecting revival in this segment. Almost a 10% reduction in the percentage of first time buyers in the market.

SUV Models: Expanding to 18 models, emphasizing volume to 28 model.

Exhibit 2: Q2FY24 result Snapshot

Standalone (INRm)	Q2FY24	Q1FY24	Q2FY23	YoY (%)	QoQ(%)
Net Sales	370,621	323,269	299,308	23.8	14.6
- Raw Material	261690	235317	218,801	19.6	11.2
(% of Net Sales)	70.61%	72.79%	73.1%	-3.4	-3.0
- Staff Expenditure	13,127	14,609	11,327	15.9	-10.1
(% of Net Sales)	3.54%	4.52%	3.8%	-6.4	-21.6
- Other Expenditure	47,962	43,513	41,491	15.6	10.2
(% of Net Sales)	12.94%	13.46%	13.9%	-6.6	-3.9
Total Expenditure	322,779	293,439	271,619	18.8	10.0
EBITDA	47,842	29,830	27,689	72.8	60.4
EBITDA Margin (%)	12.91%	9.23%	9.25%	366bps	368bps
Depreciation	7941	7475	7226	9.9	6.2
EBIT	39,901	22,355	20,463	95.0	78.5
EBIT Margin (%)	10.77%	6.92%	6.8%	393bps	385bps
Interest	351	465	305	15.1	-24.5
Other Income	8436	10012	6125	37.7	-15.7
PBT	47,986	31,902	20,158	138.0	50.4
Tax	10821	7051	5668	90.9	53.5
Tax Rate (%)	22.55%	22.10%	21.6%	99bps	45bps
Adjusted PAT	37,165	24,851	20,615	80.3	49.6
Exceptional Items	-	-	-		
Reported PAT	37,165	24,851	20,615	80.3	49.6
Reported EPS (INR)	123.03	82.27	68.24	80.3	49.5
Volumes (In Nos)	552055	498030	517,400	6.7	10.8
Net Realisation (INR)	671,348	649,095	578,485	16.1	3.4
EBITDA / Vehicle (INR)	86,662	59,896	53,516	61.9	44.7

Volumes (In Nos)	Q2FY24	Q1FY24	Q2FY23	QoQ (%)	YoY (%)
Domestic	482,731	434,812	454,100	11.0	6.3
A: Mini	32,150	40,400	71,969	(20.4)	(55.3)
A: Compact + Super compact	208,105	210,825	228,551	(1.3)	(8.9)
A: Mid-Size + Exec	3,688	3,753	4,254	(1.7)	(13.3)
Total cars	243,943	254,978	304,774	(4.3)	(20.0)
B: UVs	180,066	126,401	82,778	42.5	117.5
C: Vans	58,722	53,433	66,548	9.9	(11.8)
Export	69,324	63,218	63,195	9.7	9.7
Total Volumes	552,055	498,030	517,295	10.8	6.7

Source: Arihant Research, Company Filings,

Exhibit 3: Beat in Margin due to softening in RM

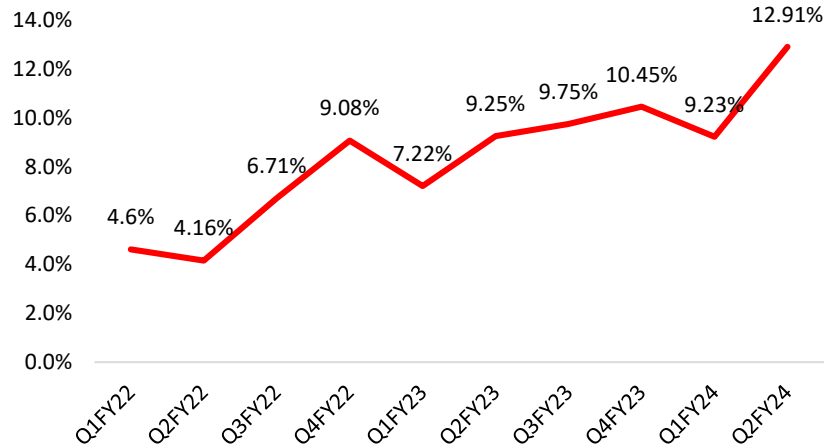


Exhibit 4: Relatively better sales volume YoY basis leading to improved capacity utilization.

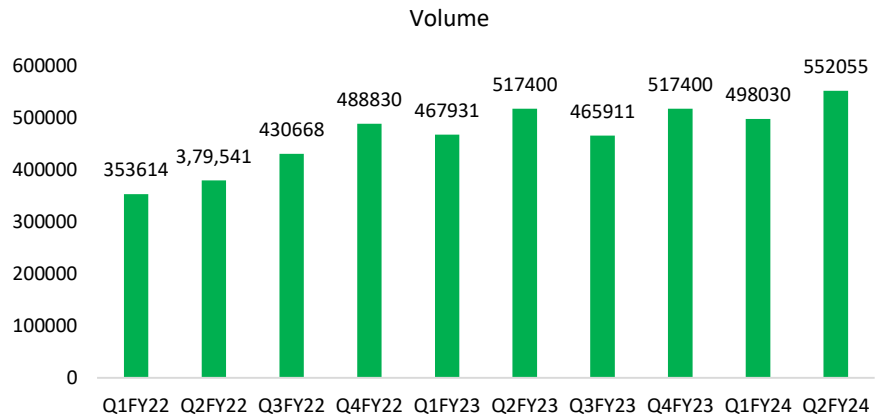
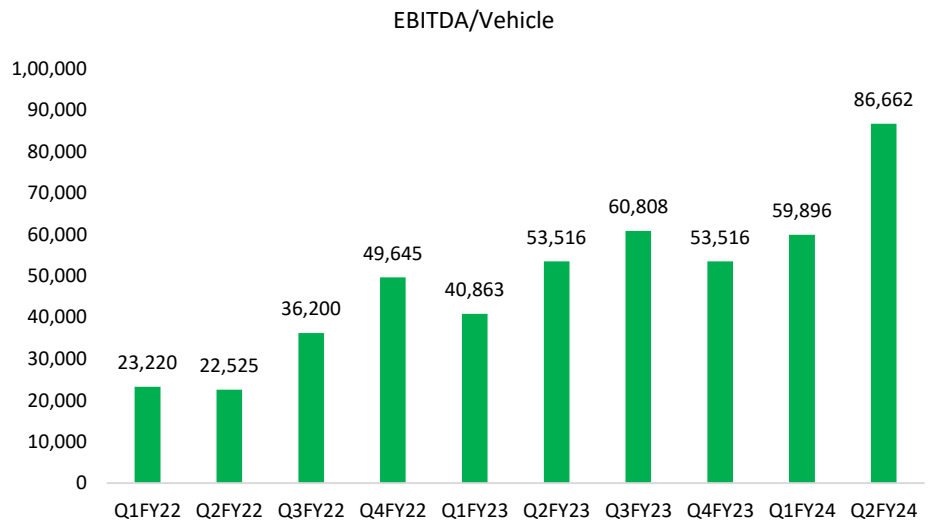


Exhibit 5: The company EBITDA/Vehicle showing uptrend YoY basis in Q2FY24 due to higher capacity utilization and better realization



Source: Arianth Research, Company Filings,

Profit & Loss Statement (Standalone)					Balance Sheet (Standalone)				
Particulars (INR mn)	FY23	FY24E	FY25E	FY26E	Particulars (INR mn)	FY23	FY24E	FY25E	FY26E
Net sales	11,75,229	14,55,414	16,01,158	16,96,236	Cash & bank	376	45,620	56,632	56,633
Growth, %	34	25	13	6	Marketable securities cost	4,62,292	4,72,292	4,92,292	5,12,292
RM expenses	-8,62,435	-9,75,127	-10,50,146	-11,11,035	Debtors	32,958	40,428	45,367	51,829
Employee expenses	-46,051	-52,959	-61,432	-70,647	Inventory	42,838	48,436	52,162	55,186
Other expenses	-1,56,666	-2,55,404	-2,93,683	-3,04,271	Loans & advances	299	305	311	317
EBITDA (Core)	1,10,077	1,71,924	1,95,897	2,10,284	Other current assets	23,399	23,399	23,399	23,399
Growth, %	93	56	14	7	Total current assets	99,870	1,58,188	1,77,870	1,87,365
Margin, %	9.4	11.8	12.2	12.4	Investments	15,272	15,272	15,272	15,272
Depreciation	-28,233	-35,838	-45,869	-50,564	Gross fixed assets	5,85,678	6,57,902	7,45,678	8,17,902
EBIT	81,844	1,36,086	1,50,028	1,59,720	Less: Depreciation	-3,79,223	-4,15,512	-4,60,876	-5,11,945
Growth, %	181	66	10	6	Add: Capital WIP	28,081	28,081	28,081	28,081
Margin, %	7.0	9.4	9.4	9.4	Net fixed assets	2,06,455	2,42,390	2,84,802	3,05,957
Interest paid	-1,866	-2,536	-2,479	-2,424	Total assets	8,44,115	9,11,043	9,90,738	8,89,088
Other Income	21,613	24,855	28,583	32,299	Current liabilities	1,79,211	2,15,263	2,30,769	2,47,723
	1.84	1.71	1.79	1.90					
Non-recurring Items	-9	-7	5	7	Provisions	9,624	9,624	9,624	9,624
Pre-tax profit	1,01,591	1,58,404	1,76,132	1,89,595	Total current liabilities	1,88,835	2,24,887	2,40,393	2,57,347
Tax provided	-21,099	-34,849	-45,798	-41,711	Non-current liabilities	31,158	30,343	30,638	30,638
Profit after tax	80,492	1,23,555	1,30,334	1,47,884	Total liabilities	2,19,993	2,55,230	2,71,032	2,87,986
Others (Minorities, Associates)	-	-	-	-					
Net Profit	80,492	1,23,555	1,30,334	1,47,884	Paid-up capital	1,510	1,510	1,510	1,510
Growth, %	114	54	5	13	Reserves & surplus	6,10,455	6,42,145	7,06,038	5,87,434
					Shareholders' equity	6,11,965	6,43,655	7,07,548	5,88,944
Net Profit (adjusted)	80,492	1,23,555	1,30,334	1,47,884	Total equity & liabilities	8,44,115	9,11,043	9,90,738	8,89,088

Cash Flow (Standalone)					Ratios (Standalone)				
Particulars (INR mn)	FY23	FY24E	FY25E	FY26E	Particulars (INR mn)	FY23	FY24E	FY25E	FY26E
Pre-tax profit	1,03,231	1,57,953	2,08,676	1,89,089	EPS (INR)	266.5	409.0	431.5	489.6
Depreciation	28,233	36,289	45,364	51,069	PE (x)	39.6	25.8	24.5	21.6
Chg in working capital	-239	22,979	6,835	7,460	Price/Book (x)	5.2	5.0	4.5	5.4
Total tax paid	-22,475	-34,750	-45,909	-41,600	EV/EBITDA (x)	24.9	15.6	13.5	12.5
CFO	89,007	1,60,153	1,88,862	1,76,144	EV/Net sales (x)	2.3	1.8	1.7	1.6
Capital expenditure	-79,466	-72,224	-87,776	-72,225	RoE (%)	14	20	19.3	22.8
Chg in investments	-29,931	30,000	20,000	20,000	RoCE (%)	17	24	25	28
CFI	-1,27,784	-57,369	-79,193	-59,926	Dividend Yield (%)	1.8	2.7	3.6	7.9
Free cash flow	-30,459	47,929	61,086	63,919	Receivable (days)	11	11	10	11
Dividend (incl. tax)	-59,725	-91,678	-1,20,481	-2,66,487	Payable (days)	40	39	38	39
CFF	-53,256	-94,214	-1,22,960	-2,68,911	Revenue Growth (%)	34	25	13	6
Net chg in cash	-92,033	8,570	-13,291	-1,52,693	EBIDTA Growth (%)	93	56	14	7
Opening cash balance	30,362	376	56,632	56,633	EPS Growth, %	97	43	-2	13
Closing cash balance	376	45,620	56,632	56,633	Net D/E ratio (x)	(0.7)	(0.8)	(0.8)	(0.9)

Source: Arihant Research, Company Filings

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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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