

**CMP: INR 10,187**

**Rating: Accumulate**

**Target Price: INR 11,801**

**Stock Info**

BSE	532500
NSE	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.NS
Sector	Automobiles
Face Value (INR)	5
Equity Capital (INR mn)	1572
Mkt Cap (INR Mn)	3180,880
52w H/L (INR)	10,933/ 8,130
Avg Yearly Vol (in 000')	474

**Shareholding Pattern %**

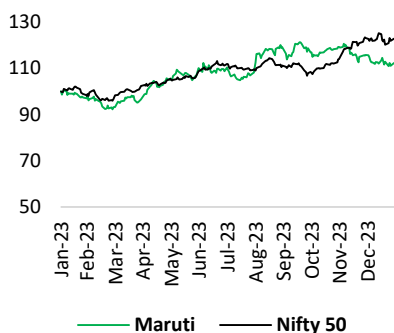
(As on Dec, 2023)

Promoters	58.19
Public & Others	41.81

**Stock Performance (%)**

	1m	3m	12m
Maruti Suzuki	-1.4	-2.3	14.1
Nifty 50	-3.39	-3.12	7.39

**Maruti Vs Nifty 50**



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Maruti's margin expansion was led by cost reduction efforts and Softening of RM. Standalone revenue stood at INR 333,087 Mn, above our estimate of INR 329,900 Mn registering a growth 14.1% YoY/(10.1% QoQ) led by relatively better sales volume leading to improved capacity utilization. EBITDA stood at INR 39,079 Mn, above our estimate of INR 37,645 Mn, Registering a growth of 37.9%YoY/ down 18.3%QoQ. On the margins front, EBITDA margin expansion by bps 198 YoY/ down 118 bps QoQ to 11.7%, above with our estimate of 11.4% led by cost reduction efforts and Softening of RM. Standalone PAT saw an increase of 33.1%QoQ/ down 15.8% YoY to INR 31,300 Mn above our estimate of INR 28,735 Mn. EPS stood at INR 101.9 in Q3FY24 against INR INR 123.03 in Q2FY24. Maruti EBITDA per Vehicle was increased by 28.2% YoY/down 10% QoQ of INR 77,970 against 86,662 in Q2FY24.

**Beat in Margin led by softening in RM & cost optimization:** EBITDA margin expansion by bps 198 YoY/ down 118 bps QoQ to 11.7%, above with our estimate of 11.4% led by cost reduction efforts and Softening of RM. In Q3FY24, 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 uptick in steel price, while anticipating ongoing benefits from precious metals like palladium and rhodium, along with a 30 bps Forex gain.

**Strong export; Railway dispatch increased by 20% annually:** The company did a high of 270k highest ever, and company should be able to better it in the future years also. Ambition to go up to at least 750k by the turn of the decade, and Africa is turning out to be a good market. Then company has Middle East. Middle East has picked up quite well recently for a number of reasons. The government is also signing some FTAs where they get some advantage in duty UAE, there's an FTA The Gulf countries, six Gulf countries, there's an FTA under consideration, and that helps. Latin America is next. Of course, the traditional markets of ASEAN and Oceania. With the EV, company will reenter Europe and Japan.

**Outlook and valuation**

MSIL's posted better than estimated numbers in Q3FY24 led by healthy response to its multiple SUV launches during past one year. The robust SUV lineup drove a MS of ~21% in the SUV segment for 9MFY24. Additionally, Q3FY24 witnessed the highest-ever quarterly sales of CNG vehicles, surpassing 127k units. Anticipating continued growth, MSIL aims to expand its SUV market share and leverage rural market strength. Additionally, Maruti Suzuki is progressing with a Kharkhoda, Haryana greenfield project, planning four plants with a total 1 million-unit capacity, and a Gujarat facility with a projected 1 million-unit annual capacity by FY28-FY29.

**We value Maruti at 21x FY26E EPS of INR 562 for the revised target price of INR 11,801 per share (Earlier TP: 12,206). 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	1,175,229	110,077	76,805	266.5	9.37	14.06	38.23
FY24E	1,455,414	170,543	98,664	418.2	11.72	20.11	24.36
FY25E	1,601,158	200,827	111,709	481.2	12.54	21.43	21.17
FY26E	1,696,236	216,922	169,758	562.0	12.79	26.35	18.13

Source: Arihant Research, Company Filings

**Maruti Suzuki India Ltd- Q3FY24 Concall KTAs****New Plant**

A greenfield project in Kharkhoda, Haryana, is underway, with the first plant set to be operational in FY25, boasting an annual production capacity of 250k units. The company plans to establish four plants in Kharkhoda, totaling 1 mn units.

An MoU signed at the Vibrant Gujarat Summit FY24 signals the company's intent to establish a new automobile manufacturing facility in Gujarat, contingent on suitable land availability. The projected launch for this plant is FY28-'29, with an anticipated annual production capacity of 1 million units and a total investment of INR 35,000 crores, pending land finalization and Maruti Suzuki Board approval.

**Small Car:** India's auto market stands at a high base of 4.18M units, with a projected increase to 4.3M next fiscal year. Maruti aims for swift growth despite the shrinking small car segment, impacted by regulatory issues and affordability concerns. Anticipation remains for a future resurgence in small car growth.

**Raw material:** The company expected upward movement in steel prices. The company expects some continuation of past benefits from palladium, rhodium, and other precious metals.

**Forex Gain:** The company gained from forex in Q3FY24 through direct imports and expects the benefit to continue in quarter.

**Volume:** India is at a high base already and may close at 4.184.2 million units in the current year. The company referred to preliminary estimates by SIAM on next year's growth numbers, which are yet to be finalized.

**SMG (M&A):** Maruti Suzuki acquired SMG Suzuki Motol Gujarat with 98% shareholder approval. The acquisition has been approved by shareholders and SMG has become a fully-owned subsidiary of Maruti Suzuki. The company has adjusted employee costs, manufacturing overheads, and operating income of SMG in the consolidated results.

**CNG:** The company is selling one CNG car, but with that customer, they get to sell the fuel forever.

**SUV (EV):** The company is launching its first SUV in the EV space, which is an upmarket vehicle with a high range and 60-kilowatt-hour battery. The company has to grow by at least 10 more models by the end of the decade.

**Demand:** Consumer demand starts from the upper end and then goes down deeper. The demand has to, whenever this, such a phenomenon happens, it starts from the upper end and then goes down deeper.

**Product:** The company has got some exciting products in the segment. The segment requires a very critical balance of all the parameters that the customer looks for.

**Pricing ASP** increased by 6% due to higher contribution of utility vehicles in total sales volume.

**Discounts:** The company was given at wholesale, ~INR 23,300 against INR 17,700 Q2FY24. A price increase of ~0.45% was taken. Net negative impact of 210bps Product Development.

**EV:** The company is on course to start production of battery electric vehicles in 2024. The company is planning a two-fold increase in its annual production capacity to about 4 mn by FY30- FY31. The company is continuously researching infotainment features and SUVs.

**Royalty:** In Q3FY24, 3.5% , 13bps low on QoQ and it will be in this range of 3.5%-4%.

**First time buyer:** Triggered this recovering, in FY21 highest 47% and went to low 38% in Q2FY24 and then 41% in Q3FY24. But its premature to comment on the green shoot recover so waiting for the more secure trend to comment on that.

**Red Sea:** The company is facing logistical challenges due to the Red Sea issue, which could lead to a slight increase in costs from risks or rerouting of vessels. While the impact is not expected to be significant, dispatch lead times may change, introducing uncertainty in vessel arrivals for picking up their consignments.

**Pending order book:** The company has pending bookings at the end of the quarter of 215k. So nothing of concern

**Price Hike in Q3FY24:** Price increase of 0.45%

## Exhibit 2: Q3FY24 result Snapshot

Standalone (INRm)	Q3FY24	Q2FY24	Q3FY23	QoQ(%)	YoY (%)
Net Sales	333,087	370,621	290,443	-10.1	14.7
- Raw Material	236,176	261,690	211,058	-9.7	11.9
(% of Net Sales)	70.91%	70.61%	72.7%	0.4	-2.4
- Staff Expenditure	13,386	13,127	12,010	2.0	11.5
(% of Net Sales)	4.02%	3.54%	4.1%	13.5	-2.8
- Other Expenditure	44,446	47,962	39,044	-7.3	13.8
(% of Net Sales)	13.34%	12.94%	13.4%	3.1	-0.7
Total Expenditure	294,008	322,779	262,112	-8.9	12.2
EBITDA	39,079	47,842	28,331	-18.3	37.9
EBITDA Margin (%)	11.73%	12.91%	9.75%	-118bps	198bps
Depreciation	7,517	7,941	7,101	-5.3	5.9
EBIT	31,562	39,901	21,230	-20.9	48.7
EBIT Margin (%)	9.48%	10.77%	7.3%	-129bps	217bps
Interest	354	351	296	0.9	19.6
Other Income	9,330	8,436	8,608	10.6	8.4
PBT	40,538	47,986	20,934	-15.5	93.6
Tax	9,238	10,821	6,029	-14.6	53.2
Tax Rate (%)	22.79%	22.55%	20.4%	24bps	238bps
Adjusted PAT	31,300	37,165	23,513	-15.8	33.1
Exceptional Items	0	0	-		
Reported PAT	31,300	37,165	23,513	-15.8	33.1
Reported EPS (INR)	101.90	123.03	77.84	-17.2	30.9
Volumes (In Nos)	501,207	552,055	465,911	-9.2	7.6
Net Realisation (INR)	664,570	671,348	623,387	-1.0	6.6
EBITDA / Vehicle (INR)	77,970	86,662	60,808	-10.0	28.2

Volumes (In Nos)	Q3FY24	Q2FY24	Q3FY23	QoQ (%)	YoY (%)
Domestic	429,422	482,731	143,692	(11.0)	198.8
A: Mini	27,084	32,150	22,162	(15.8)	22.2
A: Compact + Super compact	191,082	208,105	71,557	(8.2)	167.0
A: Mid-Size + Exec	1,462	3,688	1,516	(60.4)	(3.6)
Total cars	219,628	243,943	95,235	(10.0)	130.6
B: UVs	154,120	180,066	26,932	(14.4)	472.3
C: Vans	55,674	58,722	21,525	(5.2)	158.6
Export	71,785	69,324	21,481	3.5	234.2
Total Volumes	501,207	552,055	165,173	(9.2)	203.4

Source: Arianth Research, Company Filings,

Exhibit 3: Beat in Margin due to softening in RM

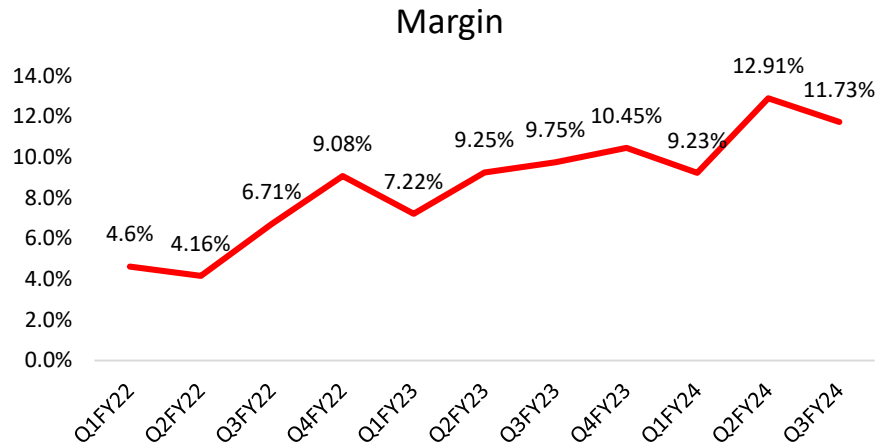


Exhibit 4: Relatively better sales volume YoY basis leading to improved capacity utilization.

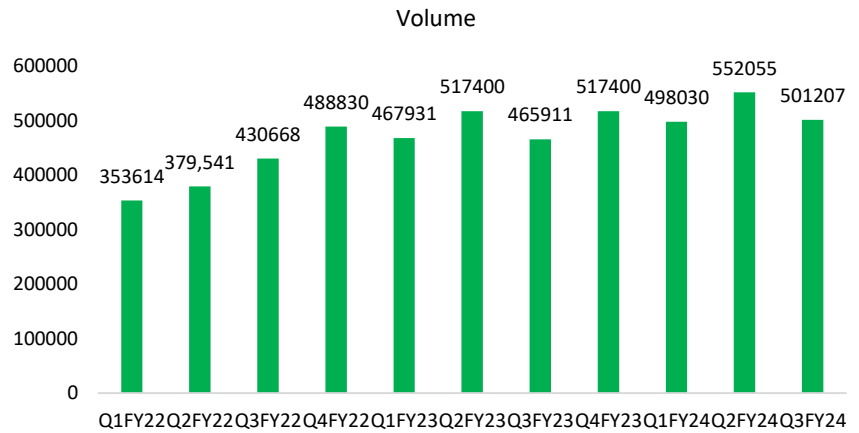
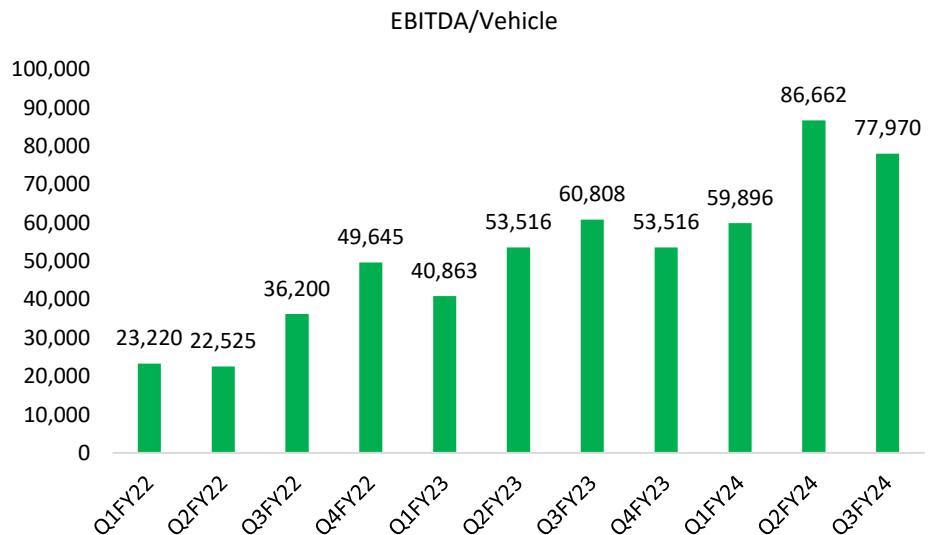


Exhibit 5: The company EBITDA/Vehicle showing uptrend YoY basis in Q3FY24 due to higher capacity utilization and better realization



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
<b>Net sales</b>	<b>1,175,229</b>	<b>1,455,414</b>	<b>1,601,158</b>	<b>1,696,236</b>	Cash & bank	376	45,620	62,340	72,000
Growth, %	34	25	13	6	Marketable securities cost	462,292	472,292	492,292	512,292
RM expenses	-862,435	-975,127	-1,043,613	-1,102,554	Debtors	32,958	40,428	45,367	51,829
Employee expenses	-46,051	-54,340	-63,035	-72,490	Inventory	42,838	48,436	51,837	54,765
Other expenses	-156,666	-255,404	-293,683	-304,271	Loans & advances	299	305	311	317
<b>EBITDA (Core)</b>	<b>110,077</b>	<b>170,543</b>	<b>200,827</b>	<b>216,922</b>	Other current assets	23,399	23,399	23,399	23,399
Growth, %	93	55	18	8	Total current assets	99,870	158,188	183,254	202,311
Margin, %	9.4	11.7	12.5	12.8	Investments	15,272	15,272	15,272	15,272
Depreciation	-28,233	-35,838	-45,869	-50,564	Gross fixed assets	585,678	657,902	745,678	817,902
<b>EBIT</b>	<b>81,844</b>	<b>134,704</b>	<b>154,958</b>	<b>166,358</b>	Less: Depreciation	-379,223	-415,512	-460,876	-511,945
Growth, %	181	65	15	7	Add: Capital WIP	28,081	28,081	28,081	28,081
Margin, %	7.0	9.3	9.7	9.8	Net fixed assets	206,455	242,390	284,802	305,957
Interest paid	-1,866	-2,536	-2,479	-2,424	<b>Total assets</b>	<b>844,115</b>	<b>911,915</b>	<b>994,477</b>	<b>874,677</b>
Other Income	21,613	30,258	43,874	57,037	Current liabilities	179,211	215,263	229,862	246,522
	1.84	2.08	2.74	3.36					
Non-recurring Items	(9)	13	32	23	Provisions	9,624	9,624	9,624	9,624
<b>Pre-tax profit</b>	<b>101,591</b>	<b>162,426</b>	<b>196,353</b>	<b>220,971</b>	Total current liabilities	188,835	224,887	239,486	256,146
Tax provided	-21,099	-35,734	-51,388	-50,823	Non-current liabilities	31,158	30,343	30,638	30,638
<b>Profit after tax</b>	<b>80,492</b>	<b>126,692</b>	<b>144,965</b>	<b>170,147</b>	Total liabilities	219,993	255,230	270,124	286,784
Others (Minorities, Associates)	-	-	-	-					
<b>Net Profit</b>	<b>80,492</b>	<b>126,692</b>	<b>144,965</b>	<b>170,147</b>	Paid-up capital	1,510	1,572	1,572	1,572
Growth, %	114	57	14	17	Reserves & surplus	610,455	642,955	710,622	574,163
					Shareholders' equity	611,965	644,527	712,194	575,735
<b>Net Profit (adjusted)</b>	<b>80,492</b>	<b>126,692</b>	<b>144,965</b>	<b>170,147</b>	<b>Total equity &amp; liabilities</b>	<b>844,115</b>	<b>911,915</b>	<b>994,477</b>	<b>874,677</b>

Cash Flow (Standalone)					Ratios (Standalone)				
Particulars (INR mn)	FY23	FY24E	FY25E	FY26E	Particulars (INR mn)	FY23	FY24E	FY25E	FY26E
<b>Pre-tax profit</b>	<b>103,231</b>	<b>161,975</b>	<b>228,898</b>	<b>220,465</b>	EPS (INR)	266.5	419.4	479.9	563.3
Depreciation	28,233	36,289	45,364	51,069	PE (x)	38.2	24.3	21.2	18.1
Chg in working capital	-239	22,979	6,252	7,263	Price/Book (x)	5.0	4.8	4.3	5.3
Total tax paid	-22,475	-35,635	-51,502	-50,707	EV/EBITDA (x)	23.9	15.1	12.6	11.5
<b>CFO</b>	<b>89,007</b>	<b>157,887</b>	<b>187,617</b>	<b>173,478</b>	EV/Net sales (x)	2.2	1.8	1.6	1.5
Capital expenditure	-79,466	-72,224	-87,776	-72,225	RoE (%)	14	20	21.4	26.4
Chg in investments	-29,931	30,000	20,000	20,000	RoCE (%)	17	25	28	33
<b>CFI</b>	<b>-127,784</b>	<b>-51,966</b>	<b>-63,902</b>	<b>-35,188</b>	Dividend Yield (%)	1.8	2.9	4.0	9.4
Free cash flow	-30,459	45,663	59,841	61,253	Receivable (days)	11	11	10	11
Dividend (incl. tax)	-59,725	-94,006	-131,337	-306,606	Payable (days)	40	38	38	39
<b>CFF</b>	<b>-53,256</b>	<b>-96,480</b>	<b>-133,816</b>	<b>-309,030</b>	Revenue Growth (%)	34	25	13	6
<b>Net chg in cash</b>	<b>(92,033)</b>	<b>9,441</b>	<b>(10,101)</b>	<b>(170,740)</b>	EBITDA Growth (%)	93	55	18	8
Opening cash balance	30,362	376	62,340	72,000	EPS Growth, %	97	46	7	17
<b>Closing cash balance</b>	<b>376</b>	<b>45,620</b>	<b>62,340</b>	<b>72,000</b>	Net D/E ratio (x)	(0.7)	(0.8)	(0.8)	(1.0)

Source: Arianth 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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