

**Beat Estimates; New Product launch will be key focus**

**CMP: INR 7,718**

**Rating: Accumulate**

**Target Price: INR 8,862**

**Stock Info**

BSE	532500
NSE	MARUTI
Bloomberg	MSIL IN
Reuters	MRTI.NS
Sector	Automobiles
Face Value (INR)	5
Equity Capital (INR mn)	1,510
Mkt Cap (INR mn)	25,98,670
52w H/L (INR)	8,370 / 6,301
Avg Yearly Vol (in 000')	758

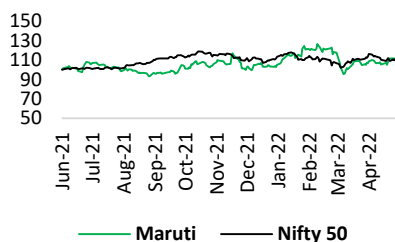
**Shareholding Pattern %**

(As on December, 2021)

Promoters	56.37
Public & Others	43.63

Stock Performance (%)	1m	3m	12m
Maruti Suzuki	11.3	12.1	2
Nifty 50	0.8	(5.4)	20.4

**Maruti Vs Nifty 50**



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Maruti Suzuki (MSIL), Beat estimates on all fronts in Q4FY22. Reported standalone revenue stood at INR 267,400 Mn, against our estimate of INR 267,329 Mn registering 15% QoQ/11% YoY. EBITDA stood at INR 24,268 Mn, against our estimate of INR 19,184 Mn, Registering a growth of 56%QoQ/22%YoY. On the margins front, EBITDA margin expanded by 2bps QoQ and contracted on 1bps YoY to 9.08%, against our estimate of 7.2%. Due to relatively better sales volume leading to improved capacity utilization, lower sales promotion expenses and increase in selling prices and also the company cost reduction initiatives. Standalone PAT saw an increase of 82%QoQ/58% YoY to INR 18,389 Mn against our estimate of INR 12,303 Mn. EPS stood at INR 60.87 in Q4FY22 against INR 33.48 in Q3FY22 (INR 38.60 in Q4FY21). Total Volume was up by 14%QoQ/-1% YoY to 4,88,830 units. The Company recorded its highest ever exports of 238,376 units in FY 2021-22 compared to 96,139 units in FY 2020-21. This was also about 62% higher than the peak exports in any financial year so far. The Board of Directors has recommended a dividend of INR 60 per share.

**Raw material:** The company is working on cost reduction efforts, as prices for steel, aluminium and precious metals witnessed an unprecedented rise during the year, For 1HFY23, commodities have risen again. Precious metals had gone up after the Russia-Ukraine war, however, it has settled down now. Steel is over 50% of commodity exposure. The company expects the prices of steel to increase in 1HFY23 as steelmakers are trying to recoup their under-recovery. Precious metals have stabilized. Net-net, commodities would go up.

**Outlook and valuation**

At a CMP of INR 7,718, MSIL currently trading at a PE of 24.2x, to its FY24E EPS of INR 316.5 Maruti Q4FY22 has largely exceeded the estimates led by operating leverage benefits, lower sales promotion, and price hikes.

Exports sales were the highest ever in Q4FY22. MSIL is likely to advantage from the strong demand for passenger vehicles, led by surging demand in tier-2, tier-3 cities, and rural areas. The company has planned several launches over the next 12 months, including 3 new products in the fast-growing SUV segment, which should help stabilize its market share (lost ~500bps in FY22).

**We value Maruti at 28x FY24 EPS of INR 316.5 for the Target Price of INR 8,862 per share. 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	55.12
FY22	8,82,956	57,012	37,663	124.7	6.46	7.25	61.90
FY23E	10,60,030	95,392	68,449	226.6	9.00	12.48	34.24
FY24E	11,96,703	1,11,927	74,822	316.5	9.40	13.99	24.28

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

### Q4FY22 Highlights from the Conference Call

- **MoU:** Suzuki signed an MoU with the Gujarat government to invest INR 104bn to manufacture EV batteries and EV manufacturing assembly lines/ capacity. This would enable complete localization of EV manufacturing, along with batteries. Gujarat (SMG Plant), Volumes for Q4FY22 ~165,000 units.
- **News launch:** In 2022 it launched new upgraded products such as Baleno and XL6 which have a lot of new features and improved technology. Baleno has received ~80k bookings. Also introduced was Dzire CNG. Overall, it sold 238k CNG vehicles during FY22, recording the highest ever sales. 8 of 10 top 10 selling vehicles were from Maruti. On the EV front, it plans to introduce its first BEV by 2025.
- **Rise in other operating income** is on the back of one exceptional item of INR 1000 Mn and an increase in scrap sales.
- **Semiconductor:** Production was impacted during the year due to semiconductor shortages by an estimated 270,000 vehicles of which mostly were domestic models. Pending customer bookings stood at 268,000. Chip's situation would continue to remain a challenge in FY23 as well.
- **Volume FY22:** The company's volumes grew by 2.9%, including LCV it grew by 3.2% annually. The company's exports highest ever exports of 238,376 units against 96,139 units last year. The supply situation continues to remain unpredictable.
- **Market share:** Target will be to get back to ~50% market share or more. Non-SUV segment market share is more than 65%.
- **Maruti Suzuki Smart Finance (MSSF)** have a total of 16 financiers as of now. Disbursed auto loans worth INR 175,000mn to 3.13k customers.
- Order Book is more than 320,000 and it hopes it full fill it fast. The company's retails for Q4FY22 is 3.72K.
- **Hybrids model:** Powerful technology, which can work besides Electric mobility. This should be an interesting option and would look at such technologies in future.
- **Discounts** in Q4FY22 INR 11,130 against INR 16,642 last year. In Q3FY22 was ~INR 15,000.
- **Inventory:** Network stock is ~40k cars as of Q4FY22.
- **Capex:** INR 50,000 Mn for FY23 is for new models and other projects. The company should be able to manage the capex through internal accruals. FCF is negative, however as volumes go up, it should be able to generate enough cash for the same.
- **CNG:** Almost 40% of pending orders are of CNG and the backlog is due to semi-conductor shortages.
- Maruti has the least CO2 emissions as compared to the industry as per CAFÉ norms. 113gms per km on a weighted average basis.
- **PLI:** The company has applied for 2 schemes. EV and component scheme, both have been approved. Would be able to meet govt. requirements all the years.

## Q4FY22 result Snapshot

Standalone (INRm)	Q4FY22	Q3FY22	Q4FY21	YoY (%)	QoQ(%)
Net Sales	<b>267,400</b>	<b>232,460</b>	<b>240,237</b>	<b>11</b>	<b>15</b>
- Raw Material	196667	175031	177509	11	12
(% of Net Sales)	73.5%	75.3%	73.9%	0	-2
- Staff Expenditure	10258	9699	9003	14	6
(% of Net Sales)	3.8%	4.2%	3.7%	2	-8
- Other Expenditure	36207	32140	33814	7	13
(% of Net Sales)	13.5%	13.8%	14.1%	-4	-2
Total Expenditure	243,132	216,870	220,326	10	12
<b>EBITDA</b>	<b>24,268</b>	<b>15,590</b>	<b>19,911</b>	<b>22</b>	<b>56</b>
<b>EBITDA Margin (%)</b>	<b>9.08%</b>	<b>6.71%</b>	<b>8.29%</b>	<b>1bps</b>	<b>2bps</b>
Depreciation	6472	6400	7410	-13	1
<b>EBIT</b>	<b>17,796</b>	<b>9,190</b>	<b>12,501</b>	<b>42</b>	<b>94</b>
<b>EBIT Margin (%)</b>	<b>6.7%</b>	<b>4.0%</b>	<b>5.2%</b>	<b>1bps</b>	<b>3bps</b>
Interest	560	252	324	73	122
Other Income	4744	3280	898	428	45
<b>PBT</b>	<b>21,980</b>	<b>12,218</b>	<b>13,075</b>	<b>68</b>	<b>80</b>
Tax	3591	2105	1414	-59	71
Tax Rate (%)	16.3%	17.2%	10.8%	6bps	-3bps
<b>Adjusted PAT</b>	<b>18,389</b>	<b>10,113</b>	<b>11,661</b>	<b>58</b>	<b>82</b>
Exceptional Items	-	-	-		
<b>Reported PAT</b>	<b>18,389</b>	<b>10,113</b>	<b>11,661</b>	<b>58</b>	<b>82</b>
Reported EPS (INR)	60.87	33.48	38.60	58	82
<b>Volumes (In Nos)</b>	<b>488,830</b>	<b>430,668</b>	<b>492,235</b>	<b>-1</b>	<b>14</b>
<b>Net Realisation (INR)</b>	<b>547,020</b>	<b>539,766</b>	<b>488,053</b>	<b>12</b>	<b>1</b>
EBITDA / Vehicle (INR)	49,645	36,200	40,450	23	37

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

Volumes (In Nos)	4QFY22	3QFY22	4QFY21	YoY (%)	QoQ (%)
<b>Domestic</b>	<b>420,376</b>	<b>365,673</b>	<b>456,707</b>	<b>(8.0)</b>	<b>15.0</b>
A: Mini	53,816	55,624	73,765	(27.0)	(3.3)
A: Compact + Super compact	231,581	175,054	239,653	(3.4)	32.3
A: Mid-Size + Exec	5,412	3,362	4,485	20.7	61.0
<b>Total cars</b>	<b>290,809</b>	<b>234,040</b>	<b>317,903</b>	<b>(8.5)</b>	<b>24.3</b>
B: UVs	76,985	78,637	76,945	0.1	(2.1)
C: Vans	52,582	52,996	61,859	(15.0)	(0.8)
Export	68,454	64,995	35,528	92.7	5.3
<b>Total Volumes</b>	<b>488,830</b>	<b>430,668</b>	<b>492,235</b>	<b>(0.7)</b>	<b>13.5</b>

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

Profit & Loss Statement				
Particulars (INR mn)	FY21	FY22	FY23E	FY24E
<b>Net sales</b>	<b>7,03,325</b>	<b>8,82,956</b>	<b>10,60,030</b>	<b>11,96,703</b>
Growth, %	-7	26	21	13
RM expenses	-5,08,172	-6,60,373	-7,47,321	-8,25,725
Employee expenses	-34,029	-40,222	-46,255	-48,568
Other expenses	-1,07,671	-1,25,349	-1,71,061	-2,10,483
<b>EBITDA (Core)</b>	<b>53,453</b>	<b>57,012</b>	<b>95,392</b>	<b>1,11,927</b>
Growth, %	-27	7	67	17
Margin, %	7.6	6.5	9.0	9.4
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>79,440</b>
Growth, %	-39	26	127	20
Margin, %	3.3	3.3	6.2	6.6
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	1.65
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>97,230</b>
Tax provided	-9,297	-8,160	-15,025	-17,501
<b>Profit after tax</b>	<b>42,297</b>	<b>37,663</b>	<b>68,449</b>	<b>79,728</b>
Others (Minorities, Associates)	-	-	-	-
<b>Net Profit</b>	<b>42,297</b>	<b>37,663</b>	<b>68,449</b>	<b>79,728</b>
Growth, %	-25	-11	82	16
<b>Net Profit (adjusted)</b>	<b>42,297</b>	<b>37,663</b>	<b>68,449</b>	<b>79,728</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>97,657</b>
Depreciation	30,315	27,865	29,737	32,060
Chg in working capital	45,354	3,702	5,324	10,104
Total tax paid	-11,556	-14,301	-14,948	-17,578
<b>CFO</b>	<b>87,251</b>	<b>46,413</b>	<b>95,059</b>	<b>1,04,453</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	6,677
Dividend (incl. tax)	-29,946	-19,999	-43,534	-50,707
<b>CFF</b>	<b>-27,129</b>	<b>-22,327</b>	<b>-44,973</b>	<b>-52,691</b>
<b>Net chg in cash</b>	<b>22,789</b>	<b>-12,213</b>	<b>22,694</b>	<b>5,759</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>46,888</b>

Balance Sheet				
Particulars (INR mn)	FY21	FY22	FY23E	FY24E
Cash & bank	30,364	30,362	41,479	46,888
Marketable securities cost	4,02,595	3,92,361	3,96,361	4,04,361
Debtors	12,766	20,301	24,372	19,945
Inventory	30,500	35,331	39,983	44,178
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	1,31,379
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>8,07,217</b>
Current liabilities	1,48,763	1,57,705	1,71,759	1,81,636
Provisions	7,863	7,863	7,863	7,863
Total current liabilities	1,56,626	1,65,568	1,79,622	1,89,499
Non-current liabilities	25,139	29,534	26,897	26,897
Total liabilities	1,81,765	1,95,102	2,06,518	2,16,396
Paid-up capital	1,510	1,510	1,510	1,510
Reserves & surplus	5,04,362	5,31,554	5,56,471	5,85,493
Shareholders' equity	5,05,872	5,33,064	5,57,981	5,87,003
<b>Total equity &amp; liabilities</b>	<b>6,92,525</b>	<b>7,31,985</b>	<b>7,68,318</b>	<b>8,07,217</b>

Ratios				
Particulars (INR mn)	FY21	FY22	FY23E	FY24E
EPS (INR)	140.0	124.7	226.6	316.5
PE (x)	55.1	61.9	34.1	24.4
Price/Book (x)	4.6	4.4	4.2	3.3
EV/EBITDA (x)	35.6	33.5	19.9	13.4
EV/Net sales (x)	2.7	2.2	1.8	1.3
RoE (%)	9	7	13	14
RoCE (%)	10	9	15	16
Dividend Yield (%)	1.1	0.7	1.8	2.5
Receivable (days)	7	9	9	6
Payable (days)	57	43	42	41
Revenue Growth (%)	-7	26	21	13
EBIDTA Growth (%)	-27	7	67	17
EPS Growth, %	-25	-11	68	30
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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