

**CMP: INR 12,703**

**Rating: Hold**

**Target Price: INR 14,003**

**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)	4,06,835
52w H/L (INR)	13,066/ 8,470
Avg Yearly Vol (in 000')	522

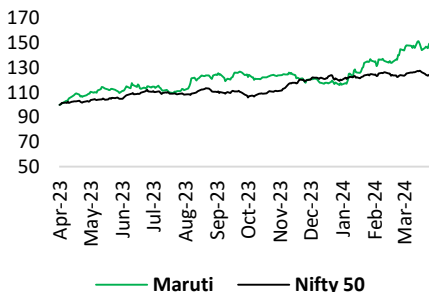
**Shareholding Pattern %**

(As on March, 2024)

Promoters	58.19
Public & Others	41.81

Stock Performance (%)	1m	3m	12m
Maruti Suzuki	3.64	28.5	49.2
Nifty 50	1.8	5.0	25.8

**Maruti Vs Nifty 50**



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Maruti's marginal Miss but growth story remains intact. Standalone revenue stood at INR 382,349 Mn, below our estimate of INR 388,382 Mn registering a growth of 19.3% YoY/14.8% QoQ. Company exceeded the annual total sales milestone of 2 Mn units in FY24 and contributed 41.8% of total PV exports from India. EBITDA stood at INR 46,302 Mn, below our estimate of INR 49,265 Mn, Registering a growth of 38.2%YoY/ 18.5%QoQ. Growth led by improved realization 5% YoY. On the margins front, EBITDA margin expansion by bps 166 YoY/ 38 bps QoQ to 12.1%, below with our estimate of 12.7%. Below our estimate led by higher manufacturing overheads & sales promotion. Standalone PAT saw an increase of 23.9%QoQ/ +47.8% YoY to INR 38,778 Mn below our estimate of INR 38,840 Mn. Growth due to higher other income (+19.8% QoQ/50.5% YoY) . EPS stood at INR 123.34 in Q4FY24 against INR INR 101.9 in Q3FY24 growth 21% QoQ/42% YoY. Recommended dividend of INR 125 per share against to INR 90 per share in FY23.

**Margin slightly below estimate led by one off:** Small one-time expenses totaling ~60 bps across material costs, development expenses, and CSR initiatives impacted the overall expenses. Company is expected to marginally rise in the next fiscal year, with concerns surrounding copper (1% of net sales) and aluminum (3% of net sales), while exposure to platinum, palladium, and rhodium is more favorable. Steel represents 10-11% of net sales, and platinum, palladium, rhodium about 2.5%. Forex exposure includes direct exposure to yen (3%) and dollar (0.5%), and indirect exposure to yen (4%) and dollar (4.6%). Operating leverage, driven by a recent capacity increase of 100,000 at Manisar, may impact margins depending on volume growth.

**3.0 initiative:** Under company 3.0 initiative, it aims to double annual production to 4 mn vehicles by 2031, with plans for a greenfield project in Kharkoda, Haryana, and a new facility in Gujarat, subject to approvals, aiming for an annual production capacity of 1 mn units with an investment of INR 350 bn. We believe, this led to enhancement of the company performance.

**Lack of Improvement in First-time buyer segment:** ~40-43% first-time buyers, 38% additional buyers, 20-22% replacement buyers. No recovery expected for first-time buyers due to financial constraints in the current and possibly next fiscal year.

**Outlook and valuation**

MSIL's Q4FY24 results slightly missed our estimates, primarily due to increased expenses affecting margins. Company is optimistic, targeting a doubling of annual production to 4 mn vehicles by FY30-31 under Maruti Suzuki 3.0, with new plants planned in Kharkhoda, Haryana, and Gujarat, each with a potential annual capacity of 1 mn units. However, we have concerns in the near term due to challenges in improving market share and weaker growth in the entry-level segment, moderating the upside revenue potential for the company. **We value Maruti at 24x FY27E EPS of INR 583.5 for the revised target price of INR 14,003 per share (Earlier TP: 11,801). We downgrade to Hold from Accumulate rating on the stock.**

**Exhibit 1: Financial Performance**

Y/E March (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	11,75,229	14,09,326	1,52,327	16,94,011	18,92,649
EBITDA	1,10,192	1,63,601	1,84,350	2,05,450	2,34,665
Net Profit	80,583	13,209	14,123	1,60,762	1,83,426
Diluted EPS (INR.)	256.0	420.2	449.2	511.4	583.5
ROE (%)	13.8%	17.8%	15.6%	16.0%	16.3%
ROCE (%)	13.8%	17.4%	15.5%	15.9%	16.2%
P/E Ratio	32.3	30.2	28.3	24.8	21.8
EV/ EBITDA	22.8	24.6	21.7	19.2	16.5

Source: Arihant Research, Company Filings

**Maruti Suzuki India Ltd- Q4FY24 Concall KTAs**

Strong growth was in the SUV segment, with milestones for models like Fronx and Grand Vitara, alongside a 50% increase in CNG vehicle sales. Plans include doubling annual production to 4 Mn vehicles by FY30-31, with expansions in manufacturing facilities. However, challenges include shifting customer preferences towards SUVs and managing production complexities due to various powertrain technologies, along with potential commodity price increases.

**Margin**

Company is expected to marginally rise in the next fiscal year, with concerns surrounding copper (1% of net sales) and aluminum (3% of net sales), while exposure to platinum, palladium, and rhodium is more favorable. Steel represents 10-11% of net sales, and platinum, palladium, rhodium about 2.5%. Forex exposure includes direct exposure to yen (3%) and dollar (0.5%), and indirect exposure to yen (4%) and dollar (4.6%). Operating leverage, driven by a recent capacity increase of 100,000 at Manisar, may impact margins depending on volume growth.

**Segments**

**CNG:** Witnessing a 10% increase in exports. Sales of eco-friendly vehicles (CNG, hybrid, and electric) increased from 37% to 42% compared to the previous year.

Ertiga with significant CNG demand, primarily alleviates the Ertiga supply constraint, with the 100,000 capacity at Manisar addressing this bottleneck, as a substantial portion of the waitlist pertains to the Ertiga.

**Railway**

the company substantially expanded its captive solar power generation capacity and achieved its highest-ever railway dispatches, surpassing 450,000 vehicles.

**Hybrids**

Maruti Suzuki intends to introduce cost-effective hybrid vehicles, leveraging technology developed by its parent company, Suzuki. The company is also exploring the possibility of introducing Suzuki's plug-in hybrids to the Indian market, albeit not in the immediate future.

**New Manufacturing**

Maruti Suzuki management expresses optimism for the future, aiming to double annual production to 4 Mn vehicles by 2030-31 as part of the Maruti Suzuki 3.0 initiative. They are constructing a new manufacturing facility in Kharkhoda, Haryana, with an eventual capacity of 1 mn units and have signed an MoU for another facility in Gujarat with a potential annual capacity of 1 mn units.

**One time expenses**

Small one-time expenses totaling ~60 bps across material costs, development expenses, and CSR initiatives impacted the overall expenses.

**Rural**

The company has mixer rural outlet. So this year it grew slightly higher than urban

**Pending Booking**

Total outstanding bookings amount to 200,000, with 111,000 specifically for CNG models.

**3.5% Royalty number**

Despite challenges such as evolving customer preferences, production complexities, and potential commodity price hikes, the company remains dedicated to expanding its offerings in CNG, hybrid, and electric vehicle technologies.

## Exhibit 2: Q4FY24 result Snapshot

YE March (INR Mn)	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)
Mini (Alto, S-presso)	42,460	27,084	56.8%	58,903	-27.9%
Compact (Baleno, Celerio, Dzire, Ignis, Swift, Tour S, WagonR)	2,18,004	1,91,082	14.1%	2,25,570	-3.4%
Mid-Size (Ciaz)	1,434	1,462	-1.9%	2,092	-31.5%
<b>Passenger Cars</b>	<b>2,61,898</b>	<b>2,19,628</b>	<b>19.2%</b>	<b>2,86,565</b>	<b>-8.6%</b>
UV (Brezza, Ertiga, S-Cross, XL6, Grand Vitara)	1,81,708	1,54,120	17.9%	1,05,957	71.5%
Vans (Eeco)	36,185	33,235	8.9%	35,056	3.2%
<b>Total Domestic PV sales</b>	<b>4,79,791</b>	<b>4,06,983</b>	<b>17.9%</b>	<b>4,27,578</b>	<b>12.2%</b>
Total LCV (Super Carry)	10,150	8,117	25.0%	11,399	-11.0%
Sales to other OEM	15,350	14,322	7.2%	11,231	36.7%
<b>Total Domestic Sales</b>	<b>5,05,291</b>	<b>4,29,422</b>	<b>17.7%</b>	<b>4,50,208</b>	<b>12.2%</b>
<b>Exports</b>	<b>78,740</b>	<b>71,785</b>	<b>9.7%</b>	<b>64,719</b>	<b>21.7%</b>
<b>Total Sales (units)</b>	<b>5,84,031</b>	<b>5,01,207</b>	<b>16.5%</b>	<b>5,14,927</b>	<b>13.4%</b>
<b>Net Sales</b>	<b>3,66,975</b>	<b>3,18,600</b>	<b>15.2%</b>	<b>3,08,218</b>	<b>19.1%</b>
Other Operating Income	15,374	14,487	6.1%	12,262	25.4%
<b>Total Revenue</b>	<b>3,82,349</b>	<b>3,33,087</b>	<b>14.8%</b>	<b>3,20,480</b>	<b>19.3%</b>
<b>Less:</b>					
Net Raw Material consumed	2,72,884	2,36,176	15.5%	2,34,874	16.2%
Other Exp.	48,953	44,446	10.1%	40,973	19.5%
Personnel	13,662	13,386	2.1%	11,130	22.7%
<b>Total Expenditure</b>	<b>3,35,499</b>	<b>2,94,008</b>	<b>14.1%</b>	<b>2,86,977</b>	<b>16.9%</b>
<b>EBITDA</b>	<b>46,850</b>	<b>39,079</b>	<b>19.9%</b>	<b>33,503</b>	<b>39.8%</b>
Less: Depreciation	7,290	7,517	-3.0%	7,392	-1.4%
<b>EBIT</b>	<b>39,560</b>	<b>31,562</b>	<b>25.3%</b>	<b>26,111</b>	<b>51.5%</b>
Less: Interest	762	354	115.3%	991	-23.1%
Add: Other income	11,180	9,330	19.8%	7,428	50.5%
<b>Profit Before Extra-ordinary items and Tax</b>	<b>49,978</b>	<b>40,538</b>	<b>23.3%</b>	<b>32,548</b>	<b>53.6%</b>
Extra Ord. Expenses/ (Income)	0	0	NA	0	NA
<b>Profit Before Tax</b>	<b>49,978</b>	<b>40,538</b>	<b>23.3%</b>	<b>32,548</b>	<b>53.6%</b>
Less: Total Tax	11,200	9,238	21.2%	6,312	77.4%
<b>Profit After Tax</b>	<b>38,778</b>	<b>31,300</b>	<b>23.9%</b>	<b>26,236</b>	<b>47.8%</b>
<b>Adj. PAT</b>	<b>38,778</b>	<b>31,300</b>	<b>23.9%</b>	<b>26,236</b>	<b>47.8%</b>
Shares Outstanding (mn)	314	314.4	0.0%	302	4.1%
<b>Reported EPS (INR.)</b>	<b>123.3</b>	<b>101.9</b>	<b>21.0%</b>	<b>86.9</b>	<b>42.0%</b>
<b>Adj. EPS (INR.)</b>	<b>123.3</b>	<b>99.6</b>	<b>23.9%</b>	<b>86.9</b>	<b>42.0%</b>
<b>Margin Analysis (%)</b>	<b>Q4FY24</b>	<b>Q3FY24</b>	<b>QoQ (%)</b>	<b>Q4FY23</b>	<b>YoY (%)</b>
Net Realisation (INR/unit) ASP	62,83,485	63,56,655	-1.2%	59,85,664	5.0%
Gross Margin	28.6%	29%	-47bps	26.7%	192bps
EBITDA Margin	12.3%	11.7%	52bps	10.5%	180bps
EBIT Margin	10.3%	9.5%	87bps	8.1%	220bps
Adj. NPM	10.1%	9.4%	75bps	8.2%	196bps
Effective Tax Rate	22.4%	22.8%	-38bps	19.4%	302bps
<b>Cost Analysis</b>					
RM Cost/Net Sales	71.4	70.9	47	73.3	-192
Other Expenses./Net Sales	12.8	13.3	-54	12.8	2
Personnel/Net Sales	3.6	4.0	-45	3.5	10

Source: Arian Research, Company Filings,

<b>Exhibit 2: Profit &amp; Loss-Standalone</b>					
<b>Y/E March (INR Mn)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
<b>Net revenues</b>	11,75,229	14,09,326	15,23,275	16,94,011	18,92,649
Operating expenses	10,65,037	12,45,725	13,38,925	14,88,561	16,57,985
<b>EBITDA</b>	1,10,192	1,63,601	1,84,350	2,05,450	2,34,665
<b>EBITDA margin (%)</b>	9.38%	11.61%	12.10%	12.13%	12.40%
Other income	21,613	38,958	38,472	47,197	49,680
Interest	1,866	1,932	6,499	6,499	7,311
Depreciation	28,233	30,223	34,094	40,044	40,355
Profit Before Tax	1,01,591	1,70,404	1,82,229	2,06,104	2,36,678
Tax	22,475	38,310	41,001	45,343	53,253
<b>Reported Net Profit</b>	79,116	1,32,094	1,41,227	1,60,762	1,83,426
Net Margin (%)	6.73%	9.37%	9.27%	9.49%	9.69%
<b>Adjusted Net Profit</b>	80,583	1,32,094	1,41,227	1,60,762	1,83,426

<b>Exhibit 3: Balance Sheet-Standalone</b>					
<b>Y/E March (INR Mn)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Equity capital	1,510	1,572	1,572	1,572	1,572
Reserves & surplus	6,02,310	8,23,219	9,20,430	10,32,460	11,64,009
<b>Shareholders funds</b>	6,03,820	8,24,791	9,22,002	10,34,032	11,65,581
Total Loans	12,473	40,618	40,618	40,618	40,618
Deferred tax liability	-	-	-	-	-
<b>Total Liabilities and Equity</b>	<b>6,16,293</b>	<b>8,65,409</b>	<b>9,62,620</b>	<b>10,74,650</b>	<b>12,06,199</b>
Gross block	3,78,584	4,18,016	5,29,050	6,15,050	7,08,050
Depreciation	2,00,535	2,30,758	2,64,852	3,04,896	3,45,250
Net block	1,78,049	1,87,258	2,64,198	3,10,154	3,62,800
Capital WIP	28,970	63,034	32,000	36,000	38,000
Investments	4,77,564	6,85,137	6,85,637	6,86,137	6,86,637
Inventory	42,838	41,196	55,024	61,174	68,136
Debtors	32,958	46,013	41,734	46,411	51,853
Cash & Bank Bal	377	4,600	32,644	94,514	1,73,431
Loans & Advances	71,031	75,610	1,05,080	1,13,617	1,23,548
<b>Current Assets</b>	<b>1,47,204</b>	<b>1,67,419</b>	<b>2,34,482</b>	<b>3,15,716</b>	<b>4,16,969</b>
Sundry Creditors	1,17,804	1,45,824	1,33,094	1,48,039	1,69,744
Other Current Liability	97,690	76,586	1,20,602	1,25,318	1,28,462
Current Liability & Provisions	2,15,494	2,22,410	2,53,696	2,73,357	2,98,206
Net current assets	(68,290)	(54,991)	(19,214)	42,359	1,18,763
<b>Total Assets</b>	<b>6,16,293</b>	<b>8,80,438</b>	<b>9,62,620</b>	<b>10,74,650</b>	<b>12,06,199</b>

Source: Arian Research, Company Filings

Exhibit 4: Cash Flow-Standalone					
Y/E March (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
EBIT	81,959	1,33,378	1,50,255	1,65,406	1,94,310
Other Income	21,613	38,958	38,472	47,197	49,680
Depreciation & Amortisation	28,233	30,223	34,094	40,044	40,355
Interest paid(-)	(1,866)	(1,932)	(6,499)	(6,499)	(7,311)
Tax paid(-)	(21,099)	(38,310)	(41,001)	(45,343)	(53,253)
Extra Ord Income	(115)	-	-	-	-
<b>Operating Cash Flow</b>	<b>1,08,725</b>	<b>1,62,317</b>	<b>1,75,322</b>	<b>2,00,805</b>	<b>2,23,780</b>
Change in Working Capital	9,254	(9,076)	(7,732)	297	2,512
<b>Cash flow from Operations</b>	<b>1,17,979</b>	<b>1,53,241</b>	<b>1,67,589</b>	<b>2,01,102</b>	<b>2,26,292</b>
Capex	(68,785)	(73,496)	(80,000)	(90,000)	(95,000)
Strategic Investment	(1,10,932)	(1,68,451)	-	-	-
Non Strategic Investment	41,001	(39,122)	(500)	(500)	(500)
<b>Cash flow from Investing</b>	<b>(1,38,716)</b>	<b>(2,81,069)</b>	<b>(80,500)</b>	<b>(90,500)</b>	<b>(95,500)</b>
Change in borrowing	8,284	28,145	-	-	-
Others	9,648	1,28,177	-	-	-
Dividens Paid (-)	(27,180)	(39,300)	(44,016)	(48,732)	(51,876)
<b>Cashflow from Financial Activities</b>	<b>(9,248)</b>	<b>1,17,022</b>	<b>(44,016)</b>	<b>(48,732)</b>	<b>(51,876)</b>
Change in Cash	(29,985)	(10,806)	43,073	61,870	78,916
Opening cash	30,362	377	4,600	32,644	94,514
Closing cash	<b>377</b>	<b>4,600</b>	<b>32,644</b>	<b>94,514</b>	<b>1,73,431</b>

Exhibit 5: Key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Revenue Growth	33.1	19.9	8.1	11.2	11.7
EBITDA Margin	9.4	11.6	12.1	12.1	12.4
Net Profit Margin	6.9	9.4	9.3	9.5	9.7
ROCE (%)	13.8	17.4	15.5	15.9	16.2
ROE (%)	13.8	17.8	15.6	16.0	16.3
Diluted EPS (Rs.)	256.3	420.2	449.2	511.4	583.5
PER (x)	32.3	30.2	28.3	24.8	21.8
P/BV (x)	4.3	4.8	4.3	3.9	3.4
EV/ EBITDA (x)	22.8	24.6	21.7	19.2	16.5
Fixed Assets Turnover Ratio (x)	5.7	5.6	5.1	4.9	4.7
Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.1	2.9	2.6	2.3	2.0

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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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