

**New Product launch will be key focus**

**CMP: INR 8,507**

**Rating: Buy**

**Target Price: INR 10,426**

**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 cr)	2,57,1660
52w H/L (INR)	9769 / 7062
Avg Yearly Vol (in 000')	576

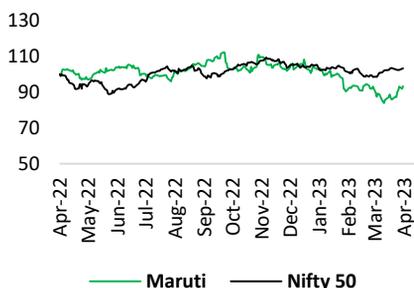
**Shareholding Pattern %**

(As on Dec, 2022)

Promoters	56.48
Public & Others	43.52

Stock Performance (%)	1m	3m	12m
Maruti Suzuki	2.5	-6.16	8.94
Nifty 50	4.87	0.43	4.55

**Maruti Vs Nifty 50**



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**Maruti revenue in-line with our estimates:** Standalone revenue stood at INR 320,480 Mn, against our estimate of INR 323,890 Mn registering a growth 19.9% YoY/10.3% QoQ. The Company sold a total of 514,927 vehicles in Q4FY23 grew 5.3% YoY/10.5% YoY. Relatively better sales volume leading to improved capacity utilisation. Further, the Board has given in-principle approval for additional creation of up to 1 mn vehicles per year. The total existing capacity is around 13 lakh units in Manesar and Gurugram. The investment required for the proposed capacity addition would be finalised in due time while framing the phases of installation of capacity. Maruti EBITDA per Vehicle was increased by 31.1% YoY/7% QoQ of INR 65,064 against 49,645 in Q4FY22.

**Margin flat led by lower sales promotion:** EBITDA stood at INR 33,503Mn, against our estimate of INR 33,680 Mn, Registering a growth of 38.1%YoY/ 18.3%QoQ. On the margins front, EBITDA margin expansion by 138bps YoY/ 70bpsQoQ to 10.45%, in-line with our estimate of 10.40% led by cost reduction efforts and Lower sales promotion expenses. Also, Standalone PAT saw an increase of 11.6%QoQ/42.7%YoY to INR 26,236 Mn below our estimate of INR 26900 Mn.

**Expansion in manufacturing plant:** The Company plans a Capex of INR 80,000 Mn. This Capex would be majorly used in Agoda Plant. Also, some Capex would be used in New Model, new Projects, and Annual maintenance They have set up a new manufacturing facility in Haryana, which have a production capacity of 250k per annum, and it will be commissioned in the year 2025. The Company plans a Capex of INR 80,000 Mn in the next year.

**Strong demand in SUV Segment:** They are Expanding their SUV segment with their new launches of Cars like Breeza and Grand Vitara, and they are increasing their MS. They are constantly seeing Strong bookings of both Breeza and Vitara. 43% of their Market share is in the SUV segment and it will increase owing to the shift of customers to this segment.

**Outlook and valuation**

Maruti performed well in Q4FY23, meeting our expectations, with decent margins due to the impact of softening commodity costs during the quarter. Demand for entry-level cars was higher than the previous year, and the company expects demand to remain strong in the next year as well. The company has good order book, with one-third of the demand coming from the CNG segment. Their customer mix consists of 42% first-time buyers, while the proportion of replacement buyers has increased from 19% to 21%. The remaining 37% of customers are purchasing additional cars. The healthy order book and better portfolio mix will further support the company's growth. **We value Maruti at 23.4x FY25E EPS of INR 444 for the revised target price of INR 10,426 per share. We maintain our Buy rating on the stock**

**Exhibit 1: Financial Performance**

YE March (INR Mn)	Net Sales	EBITDA	PAT EPS (INR)		EBITDA Margin %	RoE (%)	P/E (x)
<b>FY22</b>	882,956	57,012	37,663	124.7	6.46	7.25	68.23
<b>FY23</b>	1,175,229	110,077	76,805	266.5	9.37	14.06	31.93
<b>FY24E</b>	1,296,248	130,479	98,664	345.0	10.07	13.90	24.72
<b>FY25E</b>	1,476,993	156,017	111,709	443.7	10.56	14.53	19.09

Source: Arihant Research, Company Filings

**Q4FY23 Highlights from the Conference Call**

- The company has recorded its highest Sales Volume, out of which Exports Revenue was INR 39000 Mn.
- **CNG Segment:** The Company has Introduced 6 new Models in the CNG segment. The company is maximizing its Production volume. They sold around 33300 cars last year, and this year they will grow, as there is Positive traction after Government has rationalized the prices.
- **SUV Segment:** They are Expanding their SUV segment with their new launches of Cars like Breeza and Grand Vitara, and they are increasing their market Share. Also with the launch of Jimmy and Fronx, they will strengthen their SUV Segment. They are constantly seeing Strong bookings of both Breeza and Vitara. 43% of their Market share is in the SUV segment and it will increase owing to the shift of customers to this segment.
- **Product regulation:** Relevant Modification in products and power trains are made to make it compatible with E20 fuel according to BS-69 A2.
- **Cost Increment:** ESC (Electronically stable control) and Seatbelt reminders will also have a cost impact on them and diesel models have seen a significant Cost jump.
- **Production:** Strong Demand was there but it was missed due to supply bottleneck. Around 514,927 vehicles were sold in this Quarter, also 10,170 units of products were not manufactured due to a shortage of Semiconductor Shortage. They are seeing improved realization in the Coming Quarter.
- **Capex:** The Company plans a Capex of INR 8000 Cr. This Capex would be majorly used in Agoda Plant. Also, some Capex would be used in New Model, new Projects, and Annual maintenance They have set up a new manufacturing facility in Haryana, which have a production capacity of 250,000 per annum, and it will be commissioned in the year 2025. The Company plans a Capex of INR 8000 Cr in the next year. Passenger Segment- The industry will grow at a rate of 5-7%, but it will grow better than the industry.
- **Raw material prices** have seen an impact due to SMG and Toyota in this Quarter but the overall raw Material prices are stable.
- **Discount rate:** This quarter the discount rate was INR 13269 per vehicle as compared to INR 18291 in Q3FY22.
- **Semiconductor Chip:** Higher functionality in cars has gone up which is the reason that the demand for the semiconductor chips has gone up. In addition, the Usage of this is in higher cars and EV cars in Europe.
- **Entry level Car** Demand this year was higher than the previous year but in the next year, they expect the Demand to be good.
- **Order book:** They have an Order Book of INR 412000, out of which 1/3rd of the Demand is from the CNG segment.
- **Concept eVX is a mid-size** electric SUV concept designed and developed by Suzuki Motor Corporation in Japan. The concept electric SUV eVX will be powered by a 60-kilowatt battery pack offering up to 550-kilometer of driving range. The company plans to bring it to market by 2025. The company's approach to electric vehicles is holistic with scale and localization. Earlier in March, Suzuki announced an investment of INR100 bn in Gujarat towards the production of EVs and their batteries.
- **Commodity Market:** Precious Metals like Sodium and palladium, which contribute to around 5% of their raw material have seen a decrease in Prices but steel which is their major Component is seeing Good demand.
- **Customer Mix:** Their customer mix consists of 42% first-time buyers, while the proportion of replacement buyers has increased from 19% to 21%. The remaining 37% of customers are purchasing additional cars.
- **Inventory:** There Inventory is at 2-3 weeks.

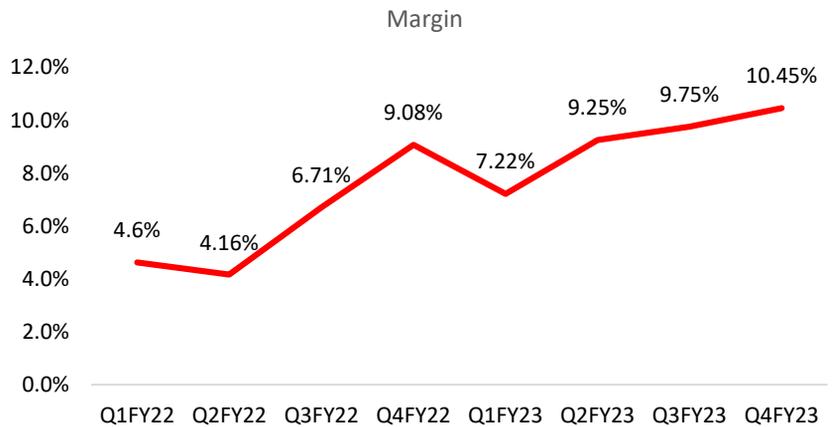
## Exhibit 2: Q4FY23 result Snapshot

Standalone (INRm)	Q4FY23	Q3FY23	Q4FY22	YoY (%)	QoQ(%)
Net Sales	320,480	290,443	267,400	19.9	10.3
- Raw Material	234,874	211,058	196,667	19.4	11.3
(% of Net Sales)	73.3%	72.7%	73.5%	-0.4	0.9
- Staff Expenditure	11,130	12,010	10,258	8.5	-7.3
(% of Net Sales)	3.5%	4.1%	3.8%	-9.5	-16.0
- Other Expenditure	40,973	39,044	36,207	13.2	4.9
(% of Net Sales)	12.8%	13.4%	13.5%	-5.6	-4.9
Total Expenditure	286,977	262,112	243,132	18.0	9.5
<b>EBITDA</b>	<b>33,503</b>	<b>28,331</b>	<b>24,268</b>	38.1	18.3
<b>EBITDA Margin (%)</b>	<b>10.45%</b>	<b>9.75%</b>	<b>9.08%</b>	138bps	70bps
Depreciation	7,392	7,101	6,472	14.2	4.1
<b>EBIT</b>	<b>26,111</b>	<b>21,230</b>	<b>17,796</b>	46.7	23.0
<b>EBIT Margin (%)</b>	<b>8.1%</b>	<b>7.3%</b>	<b>6.7%</b>	149bps	84bps
Interest	991	296	560	77.0	234.8
Other Income	7,428	8,608	4,744	56.6	-13.7
<b>PBT</b>	<b>25,120</b>	<b>20,934</b>	<b>21,980</b>	14.3	20.0
Tax	6,312	6,029	3,591	75.8	4.7
Tax Rate (%)	19.4%	20.4%	16.3%	306bps	-102bps
<b>Adjusted PAT</b>	<b>26,236</b>	<b>23,513</b>	<b>18,389</b>	42.7	11.6
Exceptional Items	-	-	-		
<b>Reported PAT</b>	<b>26,236</b>	<b>23,513</b>	<b>18,389</b>	42.7	11.6
Reported EPS (INR)	86.85	77.84	60.87	42.7	11.6

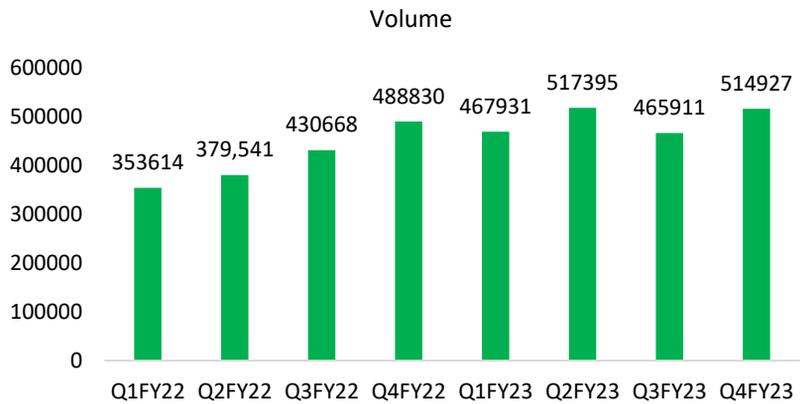
Volumes (In Nos)	Q4FY23	Q3FY23	Q4FY22	YoY (%)
<b>Domestic</b>	450,208	403,929	420,376	<b>7.1</b>
A: Mini	58,903	52,952	53,816	<b>9.5</b>
A: Compact + Super compact	225,570	204,031	231,581	<b>(2.6)</b>
A: Mid-Size + Exec	2,092	4,592	5,412	<b>(61.3)</b>
<b>Total cars</b>	<b>286,565</b>	<b>261,575</b>	<b>290,809</b>	<b>(1.5)</b>
B: UVs	105,957	96,542	76,985	<b>37.6</b>
C: Vans	57,686	45,812	52,582	<b>9.7</b>
Export	64,719	61,982	68,454	<b>(5.5)</b>
<b>Total Volumes</b>	<b>514,927</b>	<b>465,911</b>	<b>488,830</b>	<b>5.3</b>

Source: Arianth Research, Company Filings,

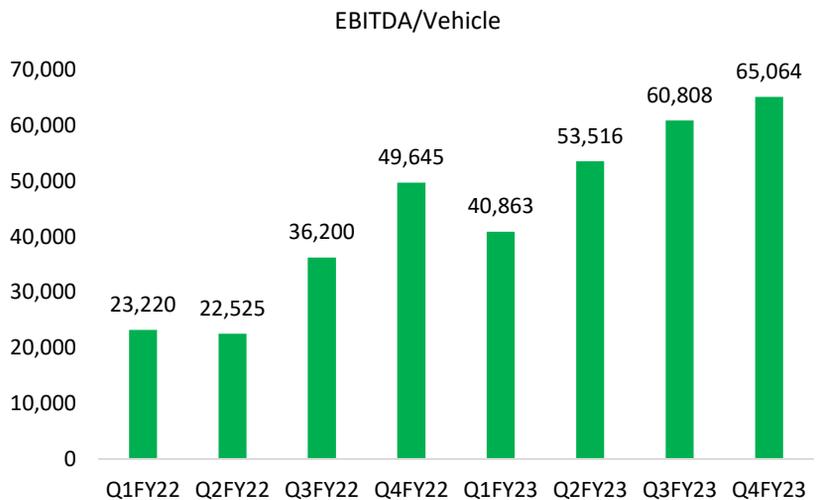
**Exhibit 3: Margin Increased due to softening in commodity price and favorable foreign exchange variation**



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



**Exhibit 5: The company EBITDA/Vehicle showing uptrend in Q4FY23 due to higher capacity utilization and better realization**



Source: Arianth Research, Company Filings,

Profit & Loss Statement (Standalone)				
Particulars (INR mn)	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>882,956</b>	<b>1,175,229</b>	<b>1,296,248</b>	<b>1,476,993</b>
Growth, %	26	34	11	17
RM expenses	-660,373	-862,435	-884,041	-994,452
Employee expenses	-40,222	-46,051	-52,959	-60,902
Other expenses	-125,349	-156,666	-228,769	-265,622
<b>EBITDA (Core)</b>	<b>57,012</b>	<b>110,077</b>	<b>130,479</b>	<b>156,017</b>
Growth, %	7	93	19	20
Margin, %	6.5	9.4	10.1	10.6
Depreciation	-27,865	-28,233	-40,164	-45,869
<b>EBIT</b>	<b>29,147</b>	<b>81,844</b>	<b>90,316</b>	<b>110,148</b>
Growth, %	26	181	10	22
Margin, %	3.3	7.0	7.0	7.5
Interest paid	-1,259	-1,866	-2,536	-4,519
Other Income	17,935	21,613	23,774	26,152
	2.03	1.84	1.83	1.77
Non-recurring Items	0	0	0	0
<b>Pre-tax profit</b>	<b>45,823</b>	<b>101,591</b>	<b>111,554</b>	<b>131,781</b>
Tax provided	-8,160	-21,099	-24,542	-36,040
<b>Profit after tax</b>	<b>37,663</b>	<b>80,492</b>	<b>87,012</b>	<b>95,740</b>
Others (Minorities, Associates)	-	-	-	-
<b>Net Profit</b>	<b>37,663</b>	<b>80,492</b>	<b>87,012</b>	<b>95,740</b>
Growth, %	(11)	114	8	10
<b>Net Profit (adjusted)</b>	<b>37,663</b>	<b>80,492</b>	<b>87,012</b>	<b>95,740</b>

Balance Sheet (Standalone)				
Particulars (INR mn)	FY22	FY23	FY24E	FY25E
Cash & bank	30,362	376	45,620	56,632
Marketable securities cost	392,361	462,292	472,292	492,292
Debtors	20,301	32,958	36,007	41,918
Inventory	35,331	42,838	43,911	49,395
Loans & advances	307	299	305	311
Other current assets	20,049	23,399	23,399	23,399
<b>Total current assets</b>	<b>106,350</b>	<b>99,870</b>	<b>149,242</b>	<b>171,655</b>
Investments	15,272	15,272	15,272	15,272
Gross fixed assets	515,678	585,678	657,902	745,678
Less: Depreciation	-350,990	-379,223	-419,892	-465,256
Add: Capital WIP	26,391	28,081	28,081	28,081
<b>Net fixed assets</b>	<b>164,688</b>	<b>206,455</b>	<b>238,010</b>	<b>280,423</b>
<b>Total assets</b>	<b>731,985</b>	<b>844,115</b>	<b>888,964</b>	<b>964,649</b>
Current liabilities	157,705	179,211	202,613	223,034
Provisions	7,863	9,624	9,624	9,624
<b>Total current liabilities</b>	<b>165,568</b>	<b>188,835</b>	<b>212,237</b>	<b>232,658</b>
Non-current liabilities	29,534	31,158	30,343	30,638
<b>Total liabilities</b>	<b>195,102</b>	<b>219,993</b>	<b>242,579</b>	<b>263,296</b>
Paid-up capital	1,510	1,510	1,510	1,510
Reserves & surplus	531,554	610,455	632,717	687,685
Shareholders' equity	533,064	611,965	634,227	689,195
<b>Total equity &amp; liabilities</b>	<b>731,985</b>	<b>844,115</b>	<b>888,964</b>	<b>964,649</b>

Source: Arianth Research, Company Filings

Cash Flow (Standalone)				
Particulars (INR mn)	FY22	FY23	FY24E	FY25E
<b>Pre-tax profit</b>	<b>45,823</b>	<b>103,231</b>	<b>111,048</b>	<b>164,325</b>
Depreciation	27,865	28,233	40,669	45,364
Chg in working capital	3,702	-239	19,274	9,021
Total tax paid	-14,301	-22,475	-24,431	-36,152
<b>CFO</b>	<b>46,413</b>	<b>89,007</b>	<b>125,322</b>	<b>160,925</b>
Capital expenditure	-48,916	-79,466	-72,224	-87,776
Chg in investments	50,234	-29,931	30,000	20,000
<b>CFI</b>	<b>-20,747</b>	<b>-127,784</b>	<b>-58,450</b>	<b>-81,624</b>
Free cash flow	-42,503	-30,459	13,098	33,149
Dividend (incl. tax)	-19,999	-59,725	-64,563	-94,812
<b>CFF</b>	<b>-22,327</b>	<b>-53,256</b>	<b>-67,099</b>	<b>-99,331</b>
<b>Net chg in cash</b>	<b>3,339</b>	<b>(92,033)</b>	<b>(227)</b>	<b>(20,030)</b>
Opening cash balance	30,364	30,362	376	56,632
<b>Closing cash balance</b>	<b>30,362</b>	<b>376</b>	<b>45,620</b>	<b>56,632</b>

Ratios (Standalone)				
Particulars (INR mn)	FY22	FY23	FY24E	FY25E
EPS (INR)	124.7	266.5	345.7	443.7
PE (x)	68.2	31.9	24.6	19.2
Price/Book (x)	4.8	4.2	3.4	2.7
EV/EBITDA (x)	37.7	19.3	12.5	8.3
EV/Net sales (x)	2.4	1.8	1.3	0.9
RoE (%)	7	14	14	14.5
RoCE (%)	9	17	17	19
Dividend Yield (%)	0.7	2.2	2.8	4.9
Receivable (days)	9	11	11	10
Payable (days)	43	40	38	38
Revenue Growth (%)	26	34	11	17
EBIDTA Growth (%)	7	93	19	20
EPS Growth, %	(11)	97	20	20
Net D/E ratio (x)	(0.8)	(0.7)	(0.8)	(0.8)

Source: Arian 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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