


Q4 - Margins Miss Estimates Due to Oneoff Expenses. Diminishing Tailwinds Drive Cautious Stand. Downgrade from BUY to HOLD

 Est. Vs. Actual for Q4FY24: Revenue – **INLINE**; EBITDA Margin – **MISS**; PAT – **MISS**
Change in Estimates post Q4FY24

FY25E/FY26E: Revenue -3.9%/-2.3%; EBITDA 0.1%/6.6%; PAT 0.6%/11.7%.

Recommendation Rationale

- Industry Outlook:** The PV industry is anticipated to grow in the low single-digits YoY in FY25E (compared to 8.4% YoY growth in FY23), with management forecasting the industry to achieve ~ 4.3 Mn vehicles. This growth trajectory will be driven by the ongoing expansion of the UV segment in the sales mix, increased export volumes, and a rising share of CNG/Hybrid/EV vehicles in the fuel composition, partly offset by contraction in the small car segment. We model in 7% CAGR volume growth in Maruti (marginally higher than the industry average) over FY24 to FY26E.
- EBITDA Performance:** The company's EBITDA margins stood at 12.3% in Q4FY24 vs. 10.5%/11.7% respectively in Q4FY23/Q3FY24, driven by higher YoY volumes, better sales mix, increased FX benefit, and softening RM costs over the past year. We also note that the QoQ margin was below our expectations largely due to one-time manufacturing expenses which had a ~60bps impact. We expect sequential margin improvement to be aided by improved sales mix (share of SUV and exports), partially offset by diminishing tailwinds from commodity input costs
- New Model launches:** The company is on course to start production of battery electric vehicle (BEV) eVX in CY25 catering to the premium segment customer profile. However, we expect new model launches from competitors to put pressure on Maruti's market share recovery target of 50% over the next few years.

Sector Outlook: Cautiously positive

Company Outlook & Guidance:

The management indicated that the customer preference has increased towards Green vehicles- CNG, Hybrid and EV's. The Company aims to increase total production to 4Mn (from existing 2.25 Mn) by FY30-31 (having multiple powertrains production capabilities). The company expects CNG/export sales volumes over ~600k/300k units respectively in FY25E and intends to bring a cost-effective hybrid car in the medium term to long term

Current Valuation: 27x P/E FY26 EPS (unchanged)
Current TP: Rs 13,650 (11,550/share earlier)

Valuation & Recommendation: We value the stock at 27xP/E of its FY26 EPS (unchanged) to arrive at our TP of Rs 13,650 (Rs 11,550 earlier) on account of sustained margins on the back of export volume growth, better mix of SUVs, CNG, and Hybrid in the sales mix. However, growth volume expectations in the entry-level car segment remain muted in the near term. Therefore at current prices, the valuation appears full and hence we **downgrade the stock from BUY to HOLD with an** an upside of 7.6% from the CMP.

Key Financials (Standalone)

(Rs Cr)	Q4FY24E	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	38,235	15%	19%	38,585	-1%
EBITDA	4,685	20%	40%	5,204	-10%
EBITDA Margin	12.3%	52 bps	180 bps	13.5%	-123 bps
Adj Net Profit	3,878	24%	48%	4,064	-5%
Adj EPS (Rs)	123.3	21%	42%	132.3	-7%

Source: Company, Axis Research

 (CMP as of 26th April 2024)

CMP (Rs)	12,687
Upside /Downside (%)	7.6%
High/Low (Rs)	13,066/8,470
Market cap (Cr)	3,98,884
Avg. daily vol. (6m)Shrs.	5,72,931
No. of shares (Cr)	31.44

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	56.48	58.19	58.19
FIIs	21.85	20.60	19.64
MFs / UTI	12.20	11.83	12.67
FIs / Banks	0.00	0.06	0.00
Others	9.47	9.32	9.50

Financial & Valuations

Y/E Mar (Rs Cr)	FY24A	FY25E	FY26E
Net Sales	1,40,933	1,51,294	1,68,004
EBITDA	16,360	18,270	20,321
Net Profit	13,209	13,635	15,194
EPS (Rs.)	420.2	433.7	483.3
PER (x)	30.2	29.3	26.2
EV/ EBITDA (x)	24.6	22.5	19.9
P/BV (x)	4.7	4.3	3.9
ROE (%)	17.8%	15.0%	15.1%

Change in Estimates (%)

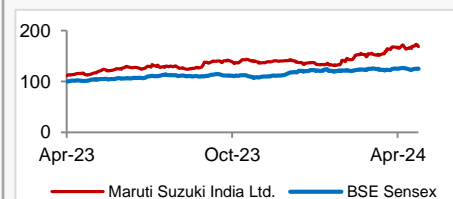
Y/E Mar	FY24A	FY25E	FY26E
Sales	-1.8%	-3.9%	-2.3%
EBITDA	-0.5%	0.1%	6.6%
PAT	2.7%	0.6%	11.7%

ESG disclosure Score**

Environmental Disclosure	69.44
Social Disclosure Score	39.57
Governance Disclosure	84.86
Total ESG Disclosure Score	64.65
Sector Avg	48.80

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly, and does not measure the company's performance on any data point. All scores are based on 2022 disclosures, Sector average is for NSE500 companies

Relative performance


Source: Ace Equity, Axis Securities

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Financial Performance

Revenue for MSIL stood inline at Rs 38,235 Cr, up 19%/15%YoY/QoQ, led by 13.4%/16.5% volume growth. EBITDA missed our estimates by 10% and stood at Rs 4,685 Cr, up 40% /20% YoY/QoQ respectively due to higher personnel costs and other expenses. EBITDA margin grew by ~180bps/52bps YoY/QoQ to 12.3% vs. our estimate of 13.5% (one time costs which impacted margins by -60bps, along with lower mix of CNG vehicles). PAT stood at Rs 3,878 Cr, up 42%/21% YoY/QoQ, missed our estimate by 5% largely following the EBITDA.

Outlook

The higher share of premium MPV/SUVs and exports in the sales mix will drive volume growth by 7% CAGR in FY23-26E. We forecast Revenue/EBITDA/PAT CAGR of 9%/11%/7% over FY24-26E.

Key Concall Highlights

- **Dividend:** The Company has announced a final dividend aggregating Rs 3,930 Cr i.e. Rs 125/ share (Nominal value INR 5.00/share) (previous year Rs 2,718 Cr i.e. Rs 90/ share) for the financial year 2023-24, subject to the approval of the members at the ensuing Annual General Meeting.
- **Exports:** Exports are expected to grow in future years with demand from Latin America, the Middle East, and Africa on account of favourable FTA's between the countries and it expects to increase exports to over ~3 Lc units by FY25E. The management informed of some logistical challenges due to the ongoing crisis in the Red Sea which may result in increased lead time for dispatched in Q1FY25.
- **Order Book:** The orderbook as on Mar'24 were ~200k units, out of which ~111k bookings were for CNG (mainly Ertiga models) . In order to address the short supply Maruti has expanded capacity at Manesar plant by ~100k units per annum.
- **Growth in CNG sales:** The improvement of CNG infrastructure (new pumps) in new geographies is helping in growth of CNG vehicles. In FY24, CNG comprised 15% of the total PV industry volumes, compared to 10.4% in FY23, with hybrid and EV-mix representing 2% each. Maruti delivered approximately ~480k CNG units (27% of domestic sales) in FY24, marking a nearly 50% YoY increase.
- **Discounts, Royalty, and Price Hikes** Discounts for the quarter stood at ~Rs 18k vs ~Rs 23.3k per vehicle in Q3FY24. The royalty stood at 3.5% for the company and is expected to be in the range of 3.5-4% in the near future.

Key Risks to our Estimates and TP

- Multiple launches from competitors will make the UV space more cluttered and competitive in future.
- Steel prices rising from the would impact the company's gross margins negatively.
- Upside risk to our estimates may arise on account of reduction in GST from 28% to 5% on Hybrid Vehicles which will be a positive trigger for the company.

Change in Estimates

	Revised			Old			% Change		
	FY24A	FY25E	FY26E	FY24A	FY25E	FY26E	FY24A	FY25E	FY26E
Sales	1,40,933	1,51,294	1,68,004	1,43,470	1,57,396	1,71,987	1,40,933	1,51,294	1,68,004
EBITDA	16,360	18,270	20,321	16,439	18,250	19,060	16,360	18,270	20,321
PAT	13,209	13,635	15,194	12,866	13,552	13,603	13,209	13,635	15,194
EPS	420.2	433.7	483.3	425.9	431.1	432.7	420.2	433.7	483.3

Source: Company, Axis Securities

Q4FY24 Results Review

YE March (Rs. Cr)	Q4FY24	Axis Sec Estimates	Axis Sec Var (%)	Q3FY24	QoQ (%)	Q4FY23	YoY (%)	Consol	vs Consol
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%		
Passenger Cars	2,61,898			2,19,628	19.2%	2,86,565	-8.6%		
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%		
Total Domestic PV sales	4,79,791			4,06,983	17.9%	4,27,578	12.2%		
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%		
Total Domestic Sales	5,05,291			4,29,422	17.7%	4,50,208	12.2%		
Exports	78,740			71,785	9.7%	64,719	21.7%		
Total Sales (units)	5,84,031			5,01,207	16.5%	5,14,927	13.4%		
Net Sales	36,698	37,230	-1.4%	31,860	15.2%	30,822	19.1%		
Other Operating Income	1,537	1,354	13.5%	1,449	6.1%	1,226	25.4%		
Total Revenue	38,235	38,585	-0.9%	33,309	14.8%	32,048	19.3%	38,548	-0.8%
Less:									
Net Raw Material consumed	27,288	27,360	-0.3%	23,618	15.5%	23,487	16.2%		
Other Exp.	4,895	4,719	3.7%	4,445	10.1%	4,097	19.5%		
Personnel	1,366	1,302	4.9%	1,339	2.1%	1,113	22.7%		
Total Expenditure	33,550	33,381	0.5%	29,401	14.1%	28,698	16.9%		
EBITDA	4,685	5,204	-10.0%	3,908	19.9%	3,350	39.8%	5,013	-6.5%
Less: Depreciation	729	815	-10.6%	752	-3.0%	739	-1.4%		
EBIT	3,956	4,389	-9.9%	3,156	25.3%	2,611	51.5%		
Less: Interest	76	35	115.3%	35	115.3%	99	23.1%		
Add: Other income	1,118	911	22.7%	933	19.8%	743	50.5%		
Profit Before Extra-ordinary Items and Tax	4,998	5,264	-5.1%	4,054	23.3%	3,255	53.6%		
Extra Ord. Expenses/ (Income)	0	0	NA	0	NA	0	NA		
Profit Before Tax	4,998	5,264	-5.1%	4,054	23.3%	3,255	53.6%		
Less: Total Tax	1,120	1,200	-6.7%	924	21.2%	631	77.4%		
Profit After Tax	3,878	4,064	-4.6%	3,130	23.9%	2,624	47.8%		
Adj. PAT	3,878	4,064	-4.6%	3,130	23.9%	2,624	47.8%	3,897	-0.5%
Shares Outstanding (mn)	31	31	2.4%	31	2.4%	30	4.1%		
Reported EPS (Rs.)	123.3	132.3	-6.8%	101.9	21.0%	86.8	42.0%		
Adj. EPS (Rs.)	123.3	132.3	-6.8%	101.9	21.0%	86.8	42.0%	98.0	25.9%
Margin Analysis (%)	Q4FY24E	Axis Sec Estimates	Axis Sec Var (%)	Q3FY24	QoQ (%)	Q4FY23	YoY (%)		
Net Realisation (Rs/unit) ASP	6,28,348	6,37,473	-1.4%	6,35,666	-1.2%	5,98,566	5.0%		
Gross Margin	28.6%	29.1%	-46	29%	-47	27%	192		
EBITDA Margin	12.3%	13.5%	-123	11.7%	52	10.5%	180	13.0%	
EBIT Margin	10.3%	11.4%	-103	9.5%	87	8.1%	220		
Adj. NPM	10.1%	10.5%	-39	9.4%	75	8.2%	196		
Effective Tax Rate	22.4%	22.8%	-39	22.8%	-38	19.4%	302		
Cost Analysis									
RM Cost/Net Sales	71.4	70.9	46	70.9	47	73.3	-192		
Other Expenses./Net Sales	12.8	12.2	57	13.3	-54	12.8	2		
Personnel/Net Sales	3.6	3.4	20	4.0	-45	3.5	10		

Source: Company, Axis Securities, Bloomberg Consensus

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Cr)	FY23A	FY24	FY25E	FY26E
Net revenues	1,17,523	1,40,933	1,51,294	1,68,004
Operating expenses	1,06,504	1,24,573	1,33,024	1,47,683
EBITDA	11,019	16,360	18,270	20,321
EBITDA margin (%)	9.38%	11.61%	12.08%	12.10%
Other income	2,161	3,896	3,844	4,710
Interest	187	193	650	650
Depreciation	2,823	3,022	3,871	4,902
Profit Before Tax	10,159	17,040	17,593	19,480
Tax	2,248	3,831	3,958	4,286
Reported Net Profit	7,912	13,209	13,635	15,194
Net Margin (%)	6.73%	9.37%	9.01%	9.04%
Adjusted Net Profit	8,058	13,209	13,635	15,194

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March (Rs Cr)	FY23	FY24	FY25E	FY26E
Equity capital	151	157	157	157
Reserves & surplus	60,231	83,825	93,058	1,03,379
Shareholders' funds	60,382	83,982	93,215	1,03,536
Total Loans	1,247	4,062	4,062	4,062
Deferred tax liability	-	-	-	-
Total Liabilities and Equity	61,629	88,044	97,277	1,07,598
Gross block	37,858	41,802	65,723	74,323
Depreciation	20,054	23,076	26,947	31,848
Net block	17,805	18,726	38,776	42,474
Capital WIP	2,897	6,303	3,200	3,600
Investments	47,756	68,514	68,564	68,614
Inventory	4,284	4,120	5,467	6,069
Debtors	3,296	4,601	4,145	4,603
Cash & Bank Bal	38	460	(8,052)	(1,841)
Loans & Advances	7,103	7,561	10,456	11,292
Current Assets	14,720	16,742	12,016	20,123
Sundry Creditors	11,780	14,582	13,219	14,682
Other Current Liability	9,769	7,659	12,060	12,532
Current Liability & Provisions	21,549	22,241	25,279	27,213
Net current assets	(6,829)	(5,499)	(13,263)	(7,090)
Total Assets	61,629	88,044	97,277	1,07,598

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March (Rs Cr)	FY23	FY24	FY25E	FY26E
EBIT	8,196	13,338	14,860	16,317
Other Income	2,161	3,896	3,844	4,710
Depreciation & Amortization	2,823	3,022	3,409	4,004
Interest paid(-)	(187)	(193)	(650)	(650)
Tax paid(-)	(2,110)	(3,831)	(4,062)	(4,483)
Extra Ord Income	(12)	-	-	-
Operating Cash Flow	10,873	16,232	17,402	19,898
Change in Working Capital	925	(908)	(748)	39
Cash flow from Operations	11,798	15,324	16,654	19,937
Capex	(6,879)	(7,350)	(8,000)	(9,000)
Strategic Investment	(11,093)	(16,845)	-	-
Non-Strategic Investment	4,100	(3,912)	(50)	(50)
Cash flow from Investing	(13,872)	(28,107)	(8,050)	(9,050)
Change in borrowing	828	2,815	-	-
Others	965	12,818	-	-
Dividends Paid (-)	(2,718)	(3,930)	(4,402)	(4,873)
Cash Flow from Financial Activities	(925)	11,702	(4,402)	(4,873)
Change in Cash	(2,999)	(1,081)	4,202	6,014
Opening cash	3,036	38	460	3,159
Closing cash	38	460	3,159	9,173

Source: Company, Axis Securities

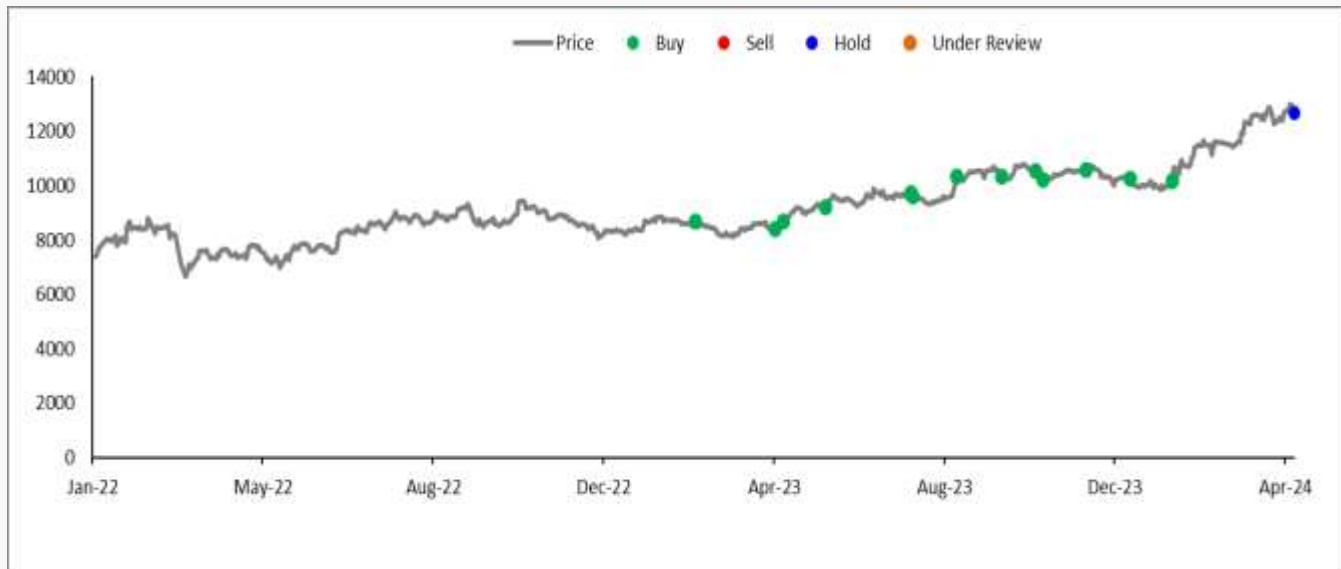
Ratio Analysis

(%)

Y/E Mar	FY23	FY24	FY25E	FY26E
Revenue Growth	33.1	19.9	7.4	11.0
EBITDA Margin	9.4	11.6	12.1	12.1
Net Profit Margin	6.9	9.4	9.2	9.5
ROCE (%)	13.8	17.4	15.4	15.8
ROE (%)	13.8	17.8	15.5	15.9
EPS (Rs.)	256.3	420.2	445.1	505.6
PER (x)	32.3	30.2	28.5	25.1
P/BV (x)	4.3	4.7	4.3	3.9
EV/ EBITDA (x)	22.8	24.6	21.9	19.4
Fixed Assets Turnover Ratio (x)	5.7	5.6	5.1	4.9
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.1	2.9	2.6	2.3

Source: Company, Axis Securities

Maruti Suzuki Price Chart and Recommendation History



Source: Axis Securities

Date	Reco	TP	Research
04-Apr-22	BUY	9,800	Top Picks
29-Apr-22	BUY	9,800	Result Update
02-May-22	BUY	9,800	Top Picks
01-Jun-22	BUY	9,800	Top Picks
01-Jul-22	BUY	9,800	Top Picks
27-Jul-22	BUY	9,900	Result Update
01-Sep-22	BUY	10,270	Top Picks
01-Oct-22	BUY	10,270	Top Picks
28-Oct-22	BUY	10,600	Result Update
01-Nov-22	BUY	10,600	Top Picks
01-Dec-22	BUY	10,600	Top Picks
01-Jan-23	BUY	10,600	Top Picks
25-Jan-23	BUY	9,750	Result Update
01-Feb-23	BUY	9,760	Top Picks
01-Mar-23	BUY	9,760	Top Picks
01-Apr-23	BUY	9,760	Top Picks
27-Apr-23	BUY	9,400	Result Update
02-May-23	BUY	9,400	Result Update
01-Jun-23	BUY	10,500	Top Picks
01-Jul-23	BUY	10,790	Top Picks
01-Aug-23	BUY	10,800	Result Update
01-Oct-23	BUY	11,800	Top Picks
30-Oct-23	BUY	11,800	Result Update
01-Feb-24	BUY	11,550	Result Update
29-Apr-24	HOLD	13,650	Result Update

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HOLD	Between 10% and -10%
SELL	Less than -10%
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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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