INVasset Corporate Insights

MARUTI SUZUKI

20th February, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Maruti Suzuki India Limited (MSIL) stands as a testament to the evolution and growth of India's automobile sector. Established in 1981, the company embarked on its journey by signing a joint venture agreement with Suzuki Motor Corporation (SMC) of Japan in 1982. This partnership laid the foundation for a new era in the Indian automotive industry, leading to Maruti Suzuki becoming a subsidiary of SMC in 2002. Today, it is not just the market leader in India's passenger vehicle segment but also the largest subsidiary of SMC in terms of production volume and sales, with SMC holding a 56.28% equity stake in the company.

Core Business and Market Dominance: Maruti Suzuki is a significant player in India's automotive industry, manufacturing, purchasing, and selling motor vehicles and parts. It holds a commanding 42% market share. In key vehicle segments, it shows its breadth by leading with 62.6% in passenger cars, 24.9% in utility vehicles, and 89.6% in vans.

Product Portfolio and Segment Leadership: The transition to BS-VI models ahead of competition showcases Maruti Suzuki's commitment to environmental standards and its first-mover advantage in this regard. This transition not only reflects the company's innovation but also its responsiveness to regulatory changes and consumer preferences for more environmentally friendly vehicles.

Environmental Initiatives and Transition to BS-VI Leading the transition to BS-VI models: The launch of NEXA, Maruti Suzuki's initiative for premium automotive retail, highlights its strategy to enhance its presence in the mid-to-premium segment. NEXA represents a significant step towards offering a digitally advanced and technologically rich buying experience, catering to the evolving needs of automobile customers.

Leadership in Pre-owned Market: True Value With True Value, Maruti Suzuki has become a dominant force in India's pre-owned car market, supported by its extensive service network, the widest among automobile brands in the country.

Strategic Association with Suzuki Motor Corporation: The partnership with Suzuki Motor Corporation provides Maruti Suzuki with development support and technological expertise, bolstering its competitive position. Its operational efficiencies and strong supplier network contribute to its cost-competitive edge.

Expansion and Future Plans: The acquisition of Suzuki Motor Gujarat and the ambitious capex plan to increase production capacity to 4 million units by 2030-31 reflect Maruti Suzuki's forward-looking approach and commitment to meeting future demand.

Stock Data	
CMP (20-02-2024)	11,446.45
52 Week High/Low	11,613.05 / 8130
Face Value	5
Market Cap (In Crs)	3,59,879
Enterprise Value (In Crs)	3,59,773
NSE	MARUTI
BSE	532500
Bloomberg	MSIL:IN
Sector	Auto

Shareholding Pattern (in %)		
	DEC 23	SEP 23
Promoter	58.19	56.48
FII	20.60	21.85
DII	17.64	18.15
Government	0.06	0.06
Public	3.50	3.45

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	2.66	14.95	23.70
Maruti Suzuki	14.03	21.05	29.96

Key Ratios	
P/E	29.6
P/S	2.66
P/B	5.46
Debt To Equity	0.01
ROE	11.5%
ROCE	14.5%
Dividend Yield	0.77%

Q3 FY 24 Result Update

Q3 FY24 Result Comparison (In Rs Cr)					
	Q3 FY24	Q2 FY24	Q3 FY23	QOQ	YOY
Revenue	33512.8	37339.3	29251.1	-10.25%	14.57%
Expense	1530.4	1520.4	1382.3	0.66%	10.71%
Depreciation	1301.5	1341.9	1209.3	-3.01%	7.62%
Total Operating Expense	30374.3	33363.5	27087.3	-8.96%	12.13%
Operating Income	3138.5	3975.8	2163.8	-21.06%	45.05%
PBT	4155.6	4892.2	3027.1	-15.06%	37.28%
PAT	3206.8	3786	2406.1	-15.3%	33.28%
EPS	102	125.33	79.65	-18.61%	28.06%

Result Highlights

Revenue & Sales Performance: Maruti Suzuki's revenue witnessed a 15% jump to Rs 33,513 crore YOY, bolstered by a total vehicle sales increase of 8%. Despite a downturn in the small car segment, domestic sales rose to 4,29,422 units, contributing significantly to the revenue spike. The impressive export figures of 71,785 cars, the highest ever for any quarter, further accentuate the company's expanding global footprint.

Profitability: The company's net profit soared by 33% to Rs 3,207 crore, primarily due to these increased sales. This substantial profit upswing from Rs 2,406 crore in the same quarter last year underscores Maruti Suzuki's enhanced operational efficiency and market dominance.

Cost Analysis: Total operating expenses and depreciation saw an uptick both YOY and QOQ, reflecting ongoing investments and possibly the expansion of operational facilities. However, the QOQ dip in revenue by 10.25% alongside a decrease in operating income by 21.06% suggests a short-term squeeze in margins or a seasonal adjustment in sales volume.

Earnings Per Share (EPS): EPS declined by 18.61% QOQ, reflecting the quarter's lower profitability. However, the YOY perspective remains robust, with EPS increasing by 28.06%, indicating a prosperous period for shareholders.

Nine-Monthly Performance: Looking at the nine-monthly performance, Maruti Suzuki reported its highest-ever sales volume, net sales, and net profit, indicating sustained growth momentum. The company's profit for the nine-month period stood at Rs 9,536 crore, a significant leap from Rs 5,576 crore in the previous year. The total revenue for this period also saw a remarkable rise.

Stock Market Response: The positive financial outcomes have been well-received in the stock market, with Maruti Suzuki's shares trading up by 2.15% at Rs 10,171, signaling investor confidence in the company's growth narrative and future potential.

Overall: Maruti Suzuki's Q3 FY24 performance illustrates a solid annual growth despite facing some quarterly fluctuations. The company's strategic market positioning, robust sales volume, and effective cost management have substantially contributed to its financial health, positioning it favorably for ongoing success.

Concall Highlights

Overall Corporate Milestones:

- Maruti Suzuki has achieved a historic sales milestone, crossing the 2 million units mark in the calendar year 2023, a first in the company's history.
- The company reported unprecedented nine-monthly sales volume, net sales, and profit, indicating robust growth and operational success.
- The strategic acquisition of Suzuki Motor Gujarat has been overwhelmingly supported by shareholders, demonstrating strong investor confidence.

Performance in the Domestic Market:

- Maruti Suzuki's strengthened SUV lineup has effectively captured a 21% market share in the segment for the 9M FY2023-24 period.
- The company also reported its highest ever quarterly CNG vehicle sales, with over 127,000 units sold in Q3 FY2023-24, showcasing the increasing consumer shift towards alternative fuel vehicles.

Export Achievements:

- The company has set a new benchmark with its highest ever annual exports of over 269,000 units in CY2023, asserting its global competitiveness.
- Continuing this trend, Q3 FY2023-24 also saw the highest ever quarterly exports exceeding 71,000 units.
- Maintaining its position, Maruti Suzuki remains the largest exporter of Passenger Vehicles from India, a testament to its enduring brand and product quality in international markets.

Sales and Industry Trends:

- The Indian passenger vehicle industry marked a historic high with sales reaching 4.1 million units in 2023, making it the third-largest market worldwide.
- The industry is witnessing a shift with utility vehicles now accounting for 53% of total sales in Q3, and within that, SUVs constitute about 63%.
- The share of CNG vehicles in the industry has risen to approximately 16.5%, reflecting environmental concerns and policy shifts.
- Maruti Suzuki's sales milestone and highest ever exports underline its significant role in this growth trajectory.
- The third quarter of FY23-24 showed strong performance with vehicle sales totaling 501,207 units, and a notable YOY increase in net profit by over 33%.
- Retail sales surpassed wholesales in Q3, indicating strong end-consumer demand, despite the average discount per vehicle being INR 23,300.

Production and Expansion Plans:

- With an eye on future demand, Maruti Suzuki is planning to double its production capacity to about 4 million units by 2030-31, which includes setting up new plants in Kharkhoda and Gujarat.
- The acquisition of Suzuki Motor Gujarat is now complete, paving the way for greater integration and efficiency in the company's manufacturing operations.

Sustainability Initiatives and EV Plans:

- Sustainability is at the forefront of Maruti Suzuki's strategy, with the company boasting the lowest carbon-emitting fleet and plans to initiate the production of battery electric vehicles starting 2024.

Comprehensive Financial Performance:

- The nine-month period of FY23-24 has been financially remarkable for Maruti Suzuki, setting records in sales volume, net sales, operating profit, and net profit.
- Despite strong overall growth, margins in Q3 faced pressures from operating leverage, discounts, and advertisement expenses, resulting in a net profit margin of 9.9%.

Focused Export Strategy:

- Maruti Suzuki's export strategy is ambitious, aiming to increase annual exports to at least 750,000 units by the end of the decade, with a special focus on markets in Africa, the Middle East, and Latin America.

Forward-Looking Product Strategy:

- The company is committed to exceeding industry growth rates, particularly by revitalizing the demand in the small car segment.
- Future product launches are strategically planned to reflect consumer preferences, with 28 models in the pipeline by the end of the decade, focusing on both the EV segment and all key volume segments.

Market and Consumer Insights:

- In-depth analysis is being conducted on the trend of first-time buyers opting for micro-SUVs and its subsequent effect on the small car segment.
- With CNG penetration reaching 30.8%, the company is looking to further increase this share while also addressing current supply constraints.

Financial Analysis Insights:

- The company experienced positive factors influencing margins such as softening commodity prices, improved capacity utilization, better realization, and ongoing cost reduction efforts.
- Nevertheless, increased sales promotion and advertisement expenses have been noted as key negative factors impacting margins.

Quarterly Financial Analysis:

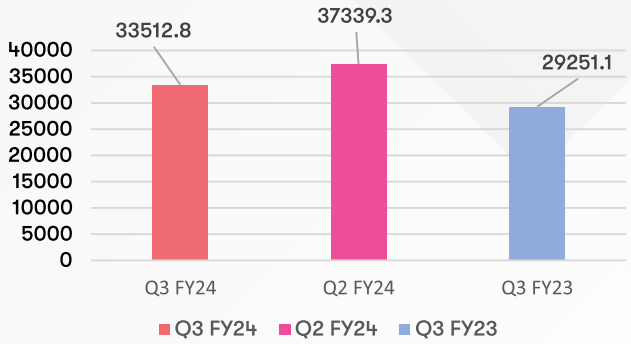
- The Q3 comparison with the previous quarter saw a dip in margins due to lower capacity utilization and higher promotional costs, though partially offset by favorable foreign exchange variations and cost-saving measures.
- The increase in non-operating income also contributed positively to the financials for the quarter.

Sales Volume

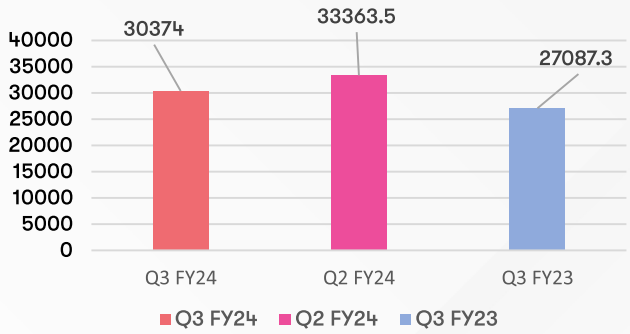
Market	Q3 FY24			9M FY24		
	Number	Growth (%)	% to Total Sales	Number	Growth (%)	% to Total Sales
Mini	27084	-48.9%	6%	99634	-42.7%	7%
Compact	191082	-6.3%	44%	610011	-4.3%	45%
Mid Size	1462	-68.2%	0.3%	8903	-22.7%	0.7%
UVs	154120	59.6%	36%	460588	77%	34%
Vans	33235	24.8%	8%	100954	5%	7%
LCV	8117	14.4%	2%	23613	-11.3%	2%
Sales To	14322	18.5%	3%	43262	-14.7%	3%
Total Sales	**429422**	**6.3%**	**100%**	**1346965**	**7.2%**	**100%**

Market	Q3 FY24			9M FY24		
	Number	Growth (%)	% to Total Sales	Number	Growth (%)	% to Total Sales
Domestic	429422	6.3	86	1346965	7.2	87
Exports	71785	15.8	14	204327	4.9	13
Total Sales	**501207**	**7.6**	**100**	**1551292**	**6.9**	**100**

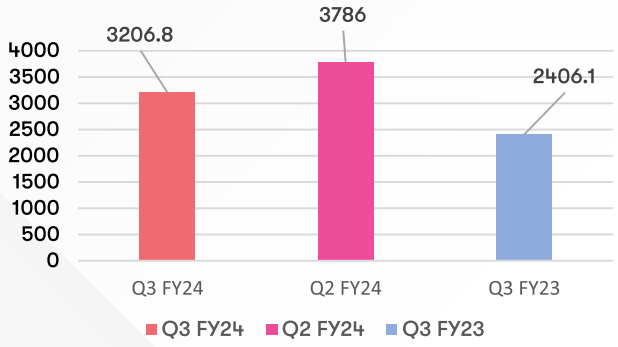
Revenue (In Cr)



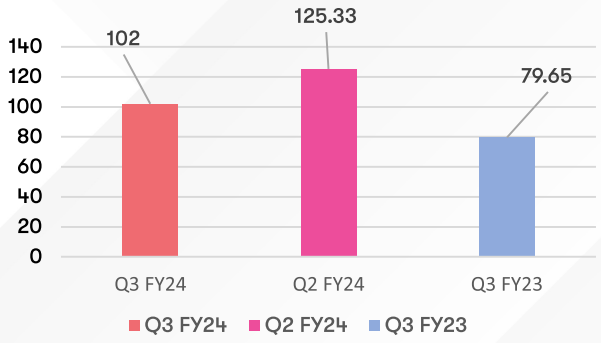
Total Expense (In Cr)



Profit After Tax (In Cr)

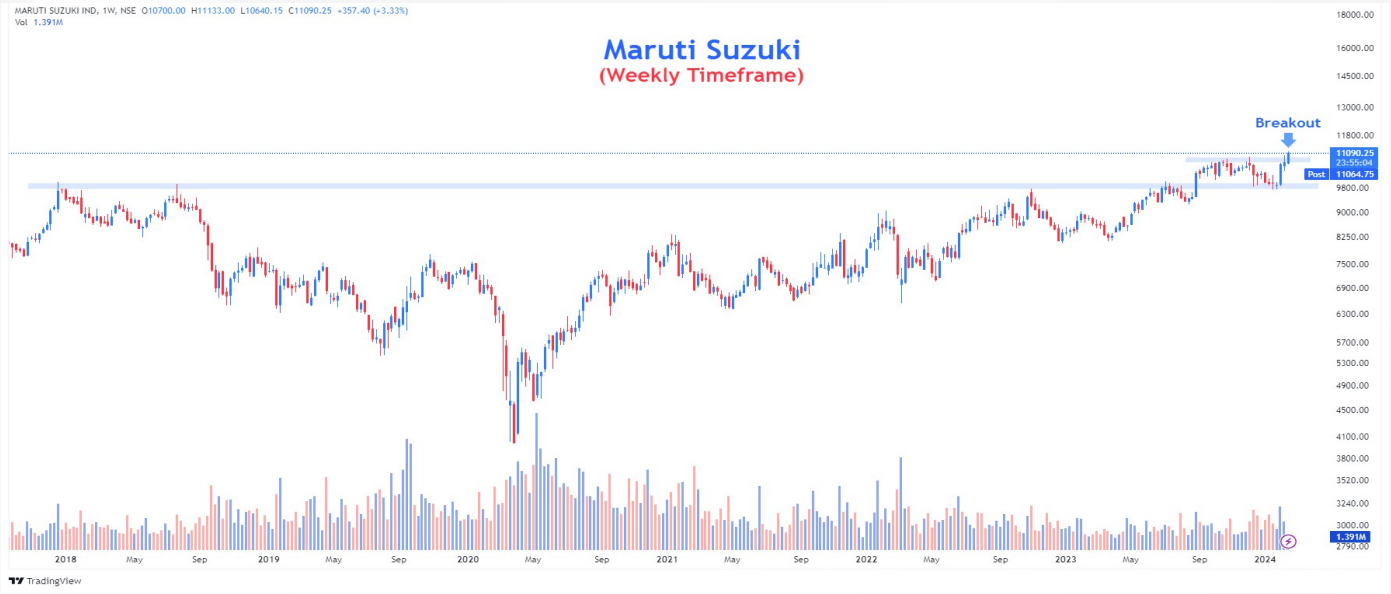


EPS



Period	Compounded Sales Growth	Compounded Profit Growth	Stock Price CAGR	Return On Equity
10 Years	10%	12%	21%	12%
5 Years	8%	1%	10%	9%
3 Years	16%	27%	13%	9%
TTM	20%	64%	25%	12%

Technical Outlook



The chart of Maruti Suzuki's on a weekly price action over several years shows a pattern of fluctuating prices with notable peaks and troughs. In recent times, there's a marked breakout point, indicating a significant rise above previous resistance levels. The volume, represented by blue bars, has seen an increase, which often accompanies breakouts, suggesting a potential uptrend. The breakout is highlighted with a label at the upper right corner, with the current price listed above the label.

The price action chart for Maruti Suzuki shows a positive trend with a recent breakout, indicating potential bullish sentiment. Over a period, the stock encountered resistance but has surpassed it, with volume increasing, which could signal strength in the upward move.

For the moving averages and RSI data: Maruti Suzuki's short-term Simple Moving Averages (SMA) and Exponential Moving Averages (EMA) indicate a bullish trend, with the 5-day averages over 11,000. The RSI levels across daily, weekly, and monthly timeframes are above 69, suggesting the stock is potentially overbought.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	11155.3	11210.0
10	10974.4	10989.8
20	10564.9	10722.6
50	10332.9	10471.2
100	10413.7	10322.3
200	10032.5	10002.9

Pivot Levels : FIBONACCI		
R1 11619.92	Pivot 11476.48	S1 11339.92
R2 11756.48		S2 11196.48
R3 11899.92		S3 11059.92

	Daily	Weekly	Monthly
Relative Strength Index (RSI)	73.29	71.05	69.59

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