

MARUTI SUZUKI INDIA LTD.

Sector

Mar 18, 2024

Buy at CMP: Rs 11477 | Target: Rs 13299 (16%) | SL: Rs 10950

Automobile & Ancillaries



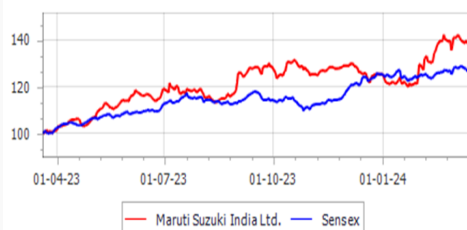
Script Details

| | |
|--------------------------------|------------|
| BSE Group | A |
| BSE Code | 532500 |
| NSE Code | MARUTI |
| Bloomberg Code | MSIL IN |
| Market Cap (INR Cr.) | 3,60,865 |
| Free Float (%) | 41.8% |
| 52wk Low/High | 11725/8127 |
| Beta (1yr Nifty 50) | 0.00 |
| Face Value (INR)/ D. Yield (%) | 5/0.8 |
| Total paid Up Shares (Mn.) | 314.4 |

Share Holding Pattern (%)

| Promoters | Public | Others |
|-----------|--------|--------|
| 58.2% | 41.8% | - |

Share Price Relative Performance



Maruti Suzuki India Limited is the leading passenger vehicle manufacturer in India. It is Suzuki Motor Corporation's (SMC) largest subsidiary in terms of volume of production and sales, formerly known as Maruti Udyog. The Company is the market leader of Passenger Vehicles in India and is also the largest exporter of Passenger Vehicles in India. The company is engaged in the business of manufacturing and sale of passenger and commercial vehicles. The company's vehicles are offered through three channels: NEXA, Arena and Commercial. The company also sells aftermarket parts and accessories under the brand name of Maruti Suzuki Genuine Parts and Maruti Suzuki Genuine Accessories.

Investment Rationale

- ◆ **Large Capex to Fuel Growth:** Maruti Suzuki India Limited (MSIL) has announced a capital expenditure (capex) plan of Rs 1.25 trillion from FY2024 to FY2030. The plan aims to increase production capacity significantly, from 2 million units in FY2023 to 4 million units by FY2030-31. Of this capacity expansion, 3 million units are allocated for the domestic market, including OEM sales, while 7.5 million to 8 million units are planned for export markets. By FY2025, MSIL targets the commercialization of 2.5 million units, followed by an additional 1 million units by FY2028. This strategic expansion is expected to substantially enhance MSIL's top-line revenue by FY2025.
- ◆ **Strong Production Line up and Diverse Product Basket:** MSIL is entering the premium segment with its upcoming BEV, eVX, set for production in CY2025. The eVX boasts a 550 km range and a 60 kWh battery pack, signalling a shift from MSIL's mass-market focus. MSIL plans to export these BEVs to Japan and Europe, aiming to expand its product lineup to 28 vehicles by FY2030E. This move reflects MSIL's commitment to diversify and capitalize on the growing electric vehicle market.
- ◆ **Micro SUV's and CNG Penetration to Increase :** First-time buyers are increasingly opting for micro-SUVs, impacting the demand for small cars positively. This trend reflects a preference for more spacious and versatile vehicles among entry-level consumers. Additionally, the current 30.8% penetration of CNG indicates a growing interest in cleaner and cost-effective fuel options, with plans for further expansion despite supply constraints.
- ◆ **Outlook and Valuations:** We estimate MARUTI to report PAT of INR 17,068 Cr on revenue of Rs 1,89,642 Cr by FY26E. Which implies forward PE of 16.5(x) for FY26E. We value it with a Price to Earnings of 25x to FY26E EPS which results per share value of INR 13,299. We recommend BUY on MARUTI at CMP of INR 11,477 with Target price of INR 13,299 (16%).

| Year | Revenue | EBITDA | PAT | PE Ratio (x) | EV/EBITDA (x) |
|-------|----------|--------|--------|--------------|---------------|
| FY23 | 1,34,984 | 15,567 | 12,167 | 29.7 | 18.9 |
| FY24E | 1,51,182 | 17,386 | 13,606 | 26.5 | 20.7 |
| FY25E | 1,69,324 | 19,472 | 15,239 | 23.7 | 18.5 |
| FY26E | 1,89,642 | 21,809 | 17,068 | 21.1 | 16.5 |

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- MARUTI currently exhibits strong upward momentum, retracing a 7-week decline (from 10,932 to 9,737) in just 3 weeks, reinforcing its upward trajectory.
- The stock comfortably maintains a position above its multiyear highs (psychological level of 10,000), indicating robust bullish momentum. A clear instance of polarity is evident in the price action, with previous year resistance (from December 2017 to November 2022) now transitioning into a support level, demonstrating a sturdy price structure and suggesting continued bullish sentiment.
- On the daily scale, the stock sustains well above the 20-day exponential moving average, despite broader market weakness, indicating strong relative strength.
- Moreover, MARUTI trades above significant moving averages like the 20-week and 50-week Exponential Moving Averages (EMA), confirming the prevailing uptrend. The MACD momentum study rises in positive territory, reinforcing continuous bullish momentum.



Inference & Expectations

- Considering these factors, it can be inferred that MARUTI stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 12240 level.
- The stop loss must be at 10950 level, strictly on the closing basis.

Invest Now >>>



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